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Reference	IOR/L/PS/12/3811
Title	Coll 30/91(1) 'Koweit Oil Concession: Agreement between the Shaikh of Kuwait and the Kuwait Oil Company.'
Date(s)	12 Jan 1934-23 Dec 1934 (CE, Gregorian)
Written in	English and Arabic in Latin and Arabic script
Extent and Format	1 volume (477 folios)
Holding Institution	British Library: India Office Records and Private Papers
Copyright for document	<u>Unknown</u>

About this record

The file concerns negotiations over the signing of the commercial agreement between the Shaikh of Kuwait, Shaikh Ahmad al-Jabir as-Sabah [Aḥmad al-Jābir Āl Ṣabāḥ] and the Kuwait Oil Company. The agreement provided the company with exclusive rights to exploit oil, gas, and petroleum products within the state of Kuwait (also referred to in the papers as Koweit). The company was equally owned by the Anglo-Persian Oil Company (APOC) and the Gulf Oil Corporation of the United States. The agreement was the counterpart to the political agreement between the British Government and the Kuwait Oil Company, the negotiations for which are described in file IOR/L/PS/12/3808: Coll 30/89 'Oil: Koweit Oil Agreement between the Koweit Oil Company and His Majestys Government.'

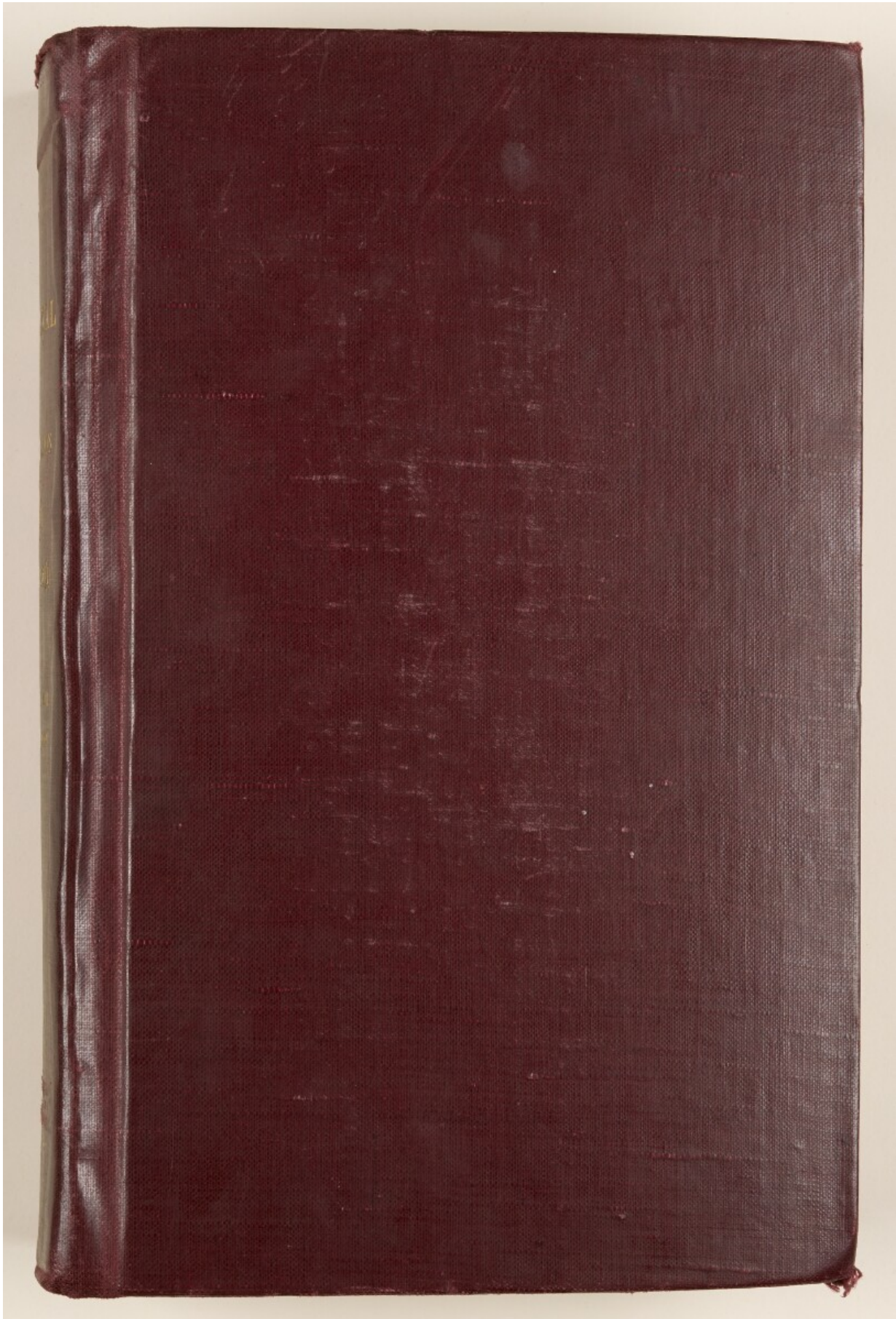
The file covers: the need to expedite the signing of oil concession agreements in Qatar and Kuwait, in view of a further substantial discovery of oil in Bahrain (folio 472); minutes of India Office officials, commenting on the negotiations; drafts of the Kuwait commercial agreement (including a bilingual English and Arabic version, folios 191-204), with discussion and comment; the need for the commercial agreement not to come into force until the government (political) agreement had been concluded (folio 417); comparisons between the Kuwait and Qatar agreements (e.g. folio 407); the need for the Shaikh of Kuwait to be informed of the existence of the agreement between the British Government and the Kuwait Oil Company before the commercial agreement was signed (e.g. folio 354); the views of the Foreign Office on how to ensure that the concession was awarded to the Kuwait Oil Company, and awareness of the need to be able to defend the British position to the Government of the United States (folios 325-330); discussion in general of American interests in the concession; minutes of meetings held at the India Office between British Government officials and representatives of the Kuwait Oil Company; Kuwait intelligence summaries; correspondence (some of it in both English and Arabic), and records of meetings between the Political Agent, Kuwait and the Shaikh of Kuwait; frequent discussion of the question of the appointment of a Chief Local Representative to act on behalf of the Shaikh; British suspicions of the role of Major Frank Holmes in the negotiations; discussion of the financial

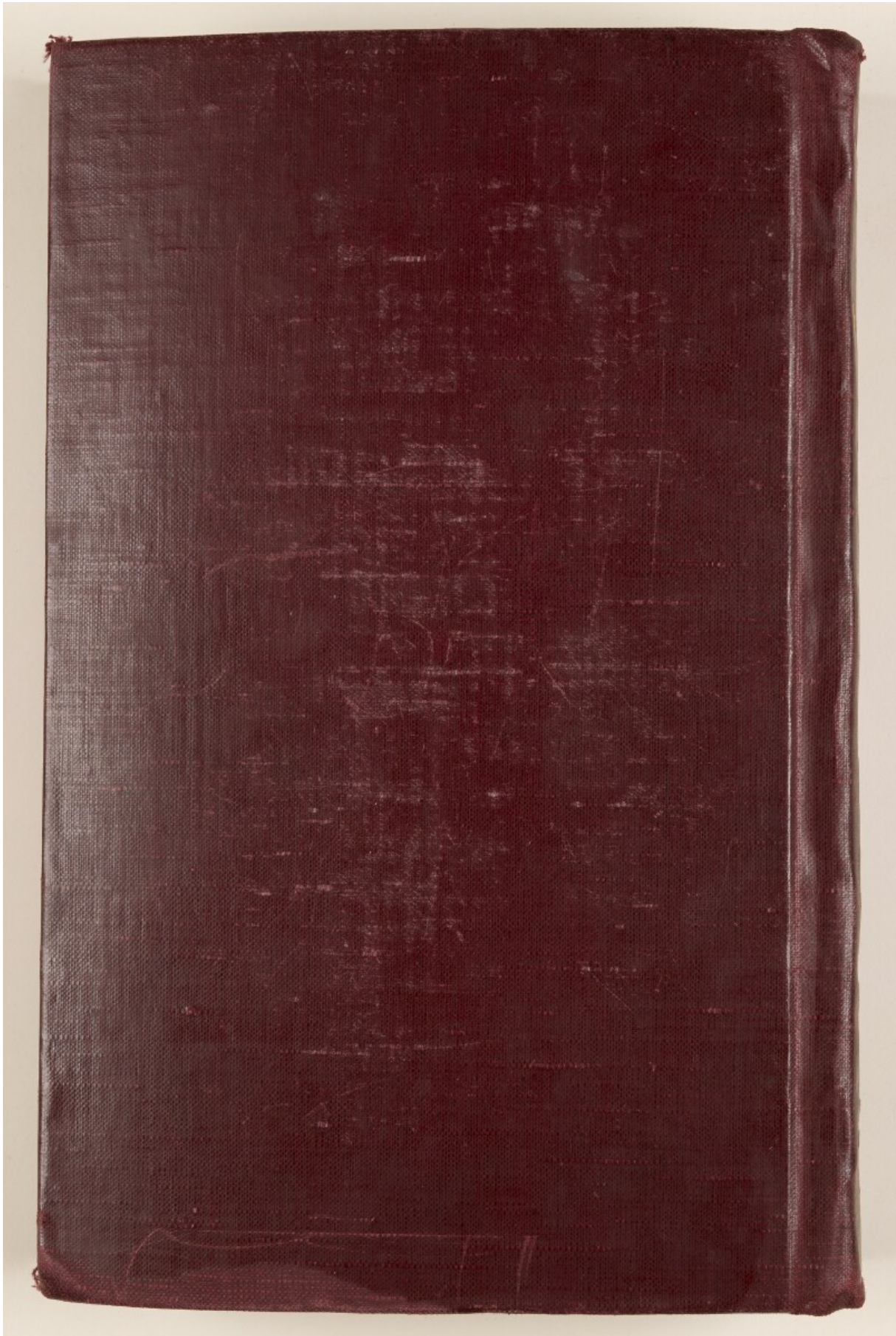
terms of the Kuwait concession (folios 58-62); and a letter on the subject of the concession to Messrs Traders Limited (folios 7-10).

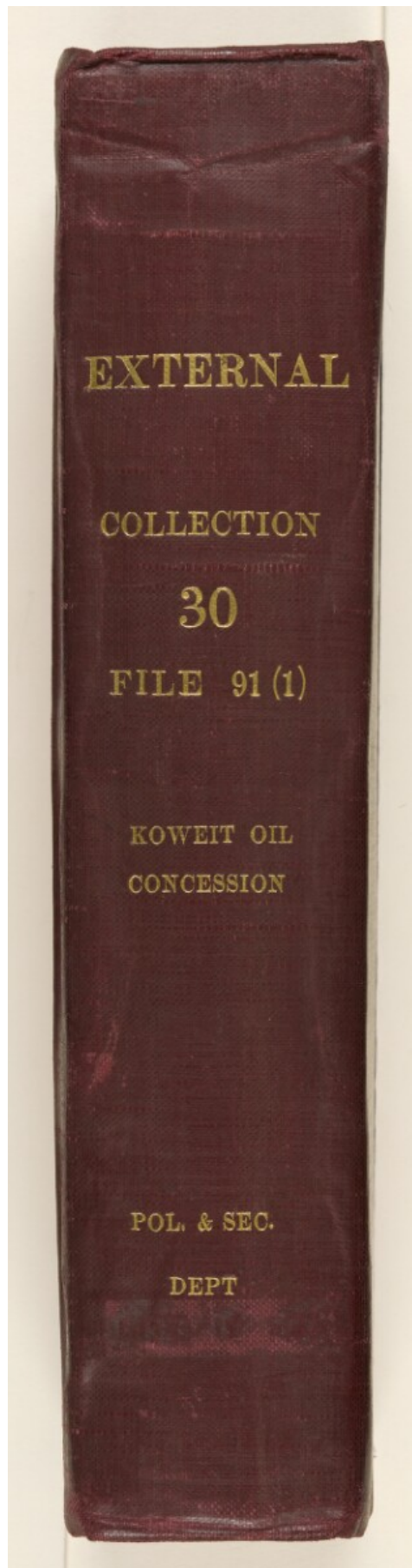
The main correspondents are the Foreign Office; representatives of the Anglo-Persian Oil Company, and the Kuwait Oil Company; the Political Resident in the Persian Gulf; and the Political Agent, Kuwait (Major Harold Richard Patrick Dickson, and, acting for Dickson, Major Ralph Ponsonby Watts).

The Arabic language content of the file consists of approximately twenty-five folios.

The file includes a divider, which gives a list of correspondence references contained in the file by year. This is placed at the back of the correspondence.



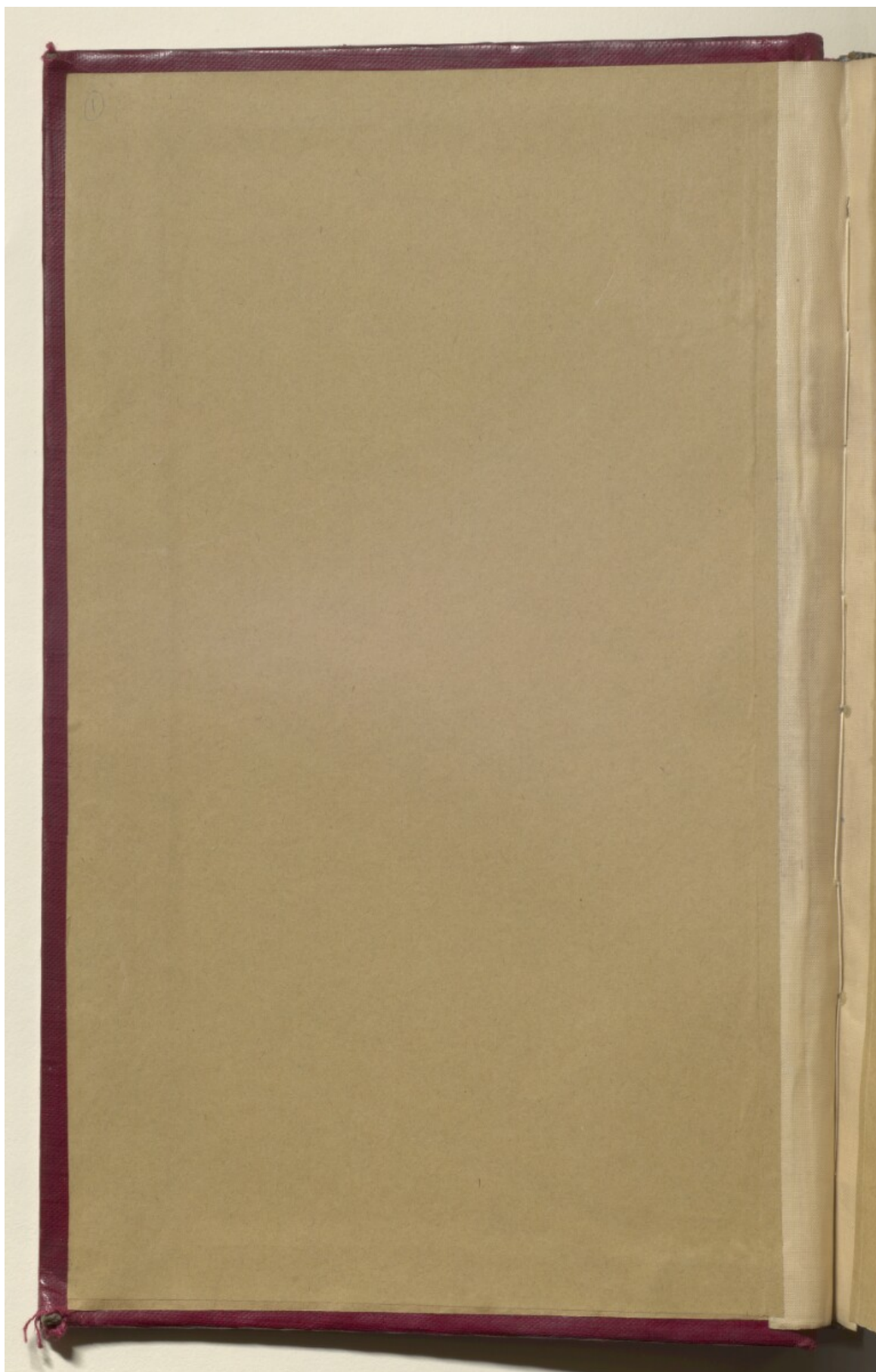


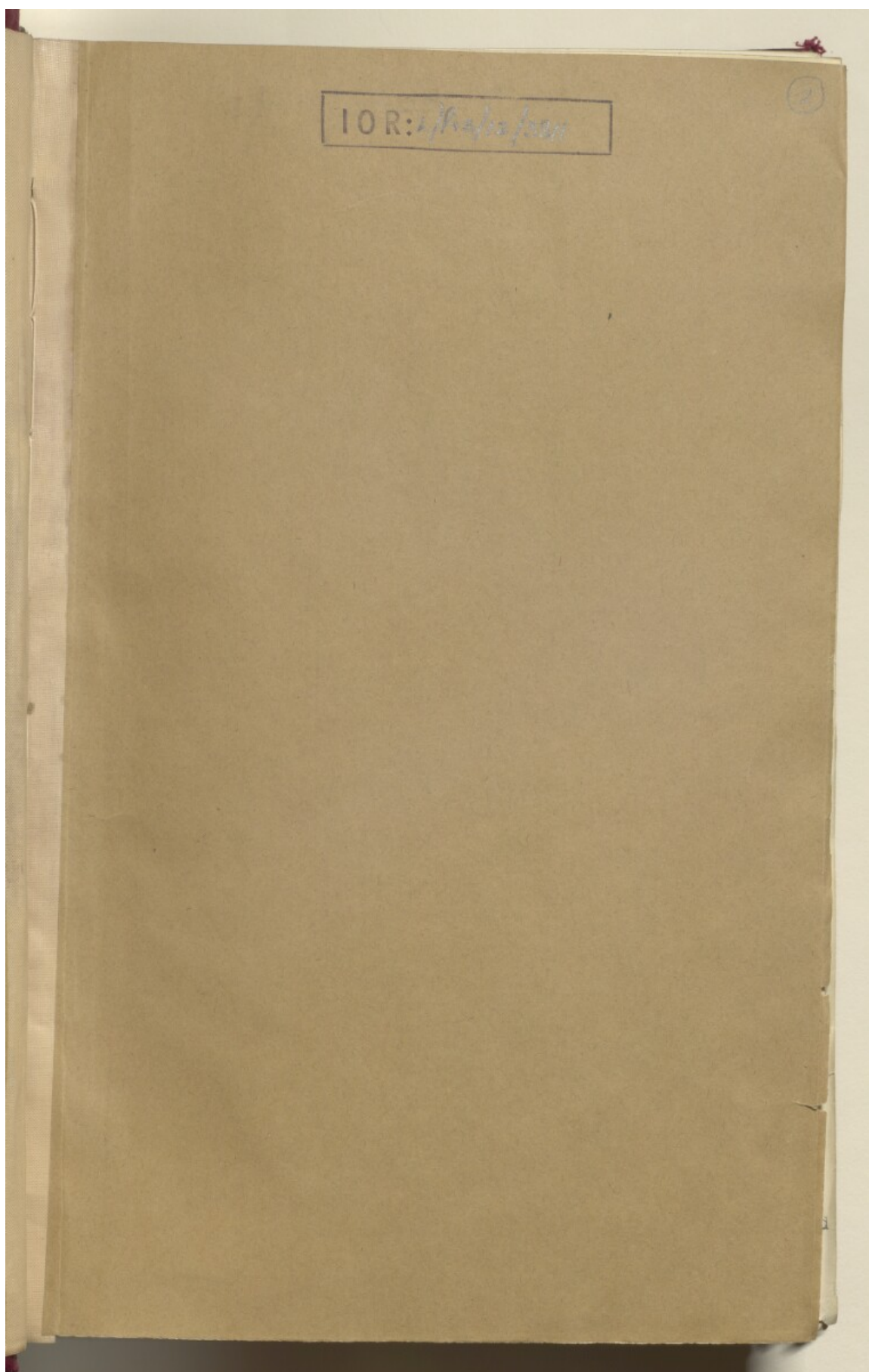


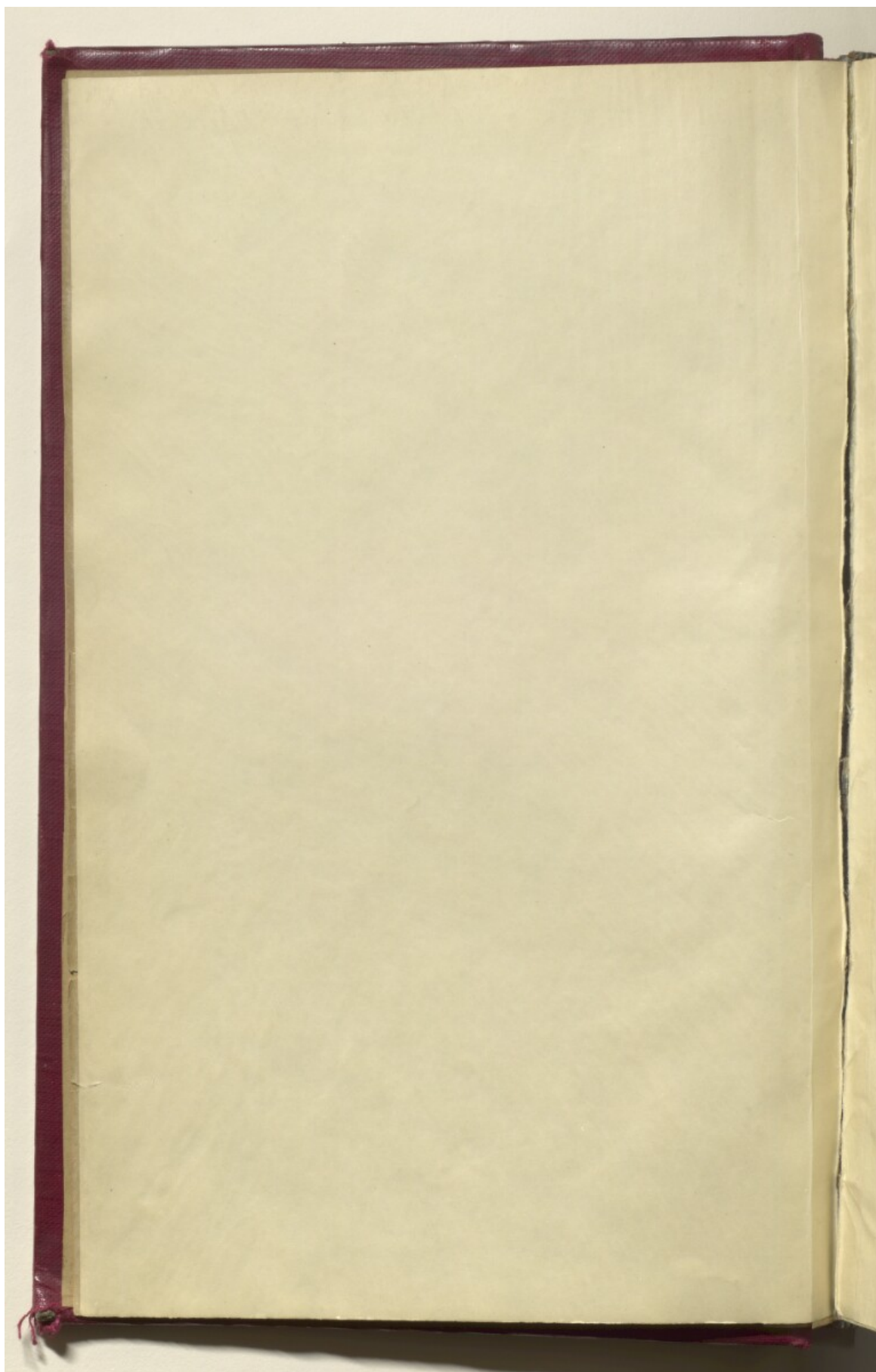


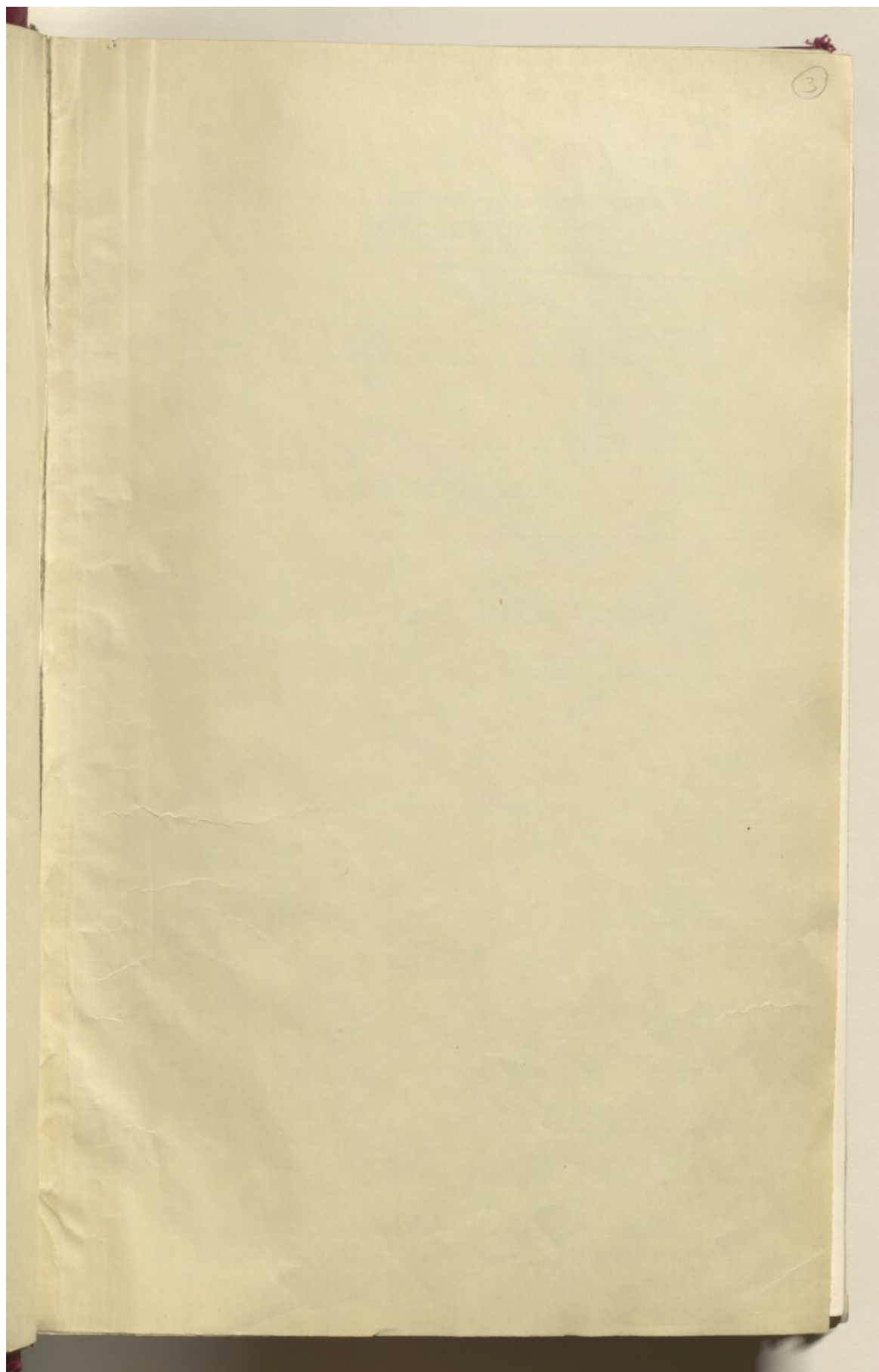


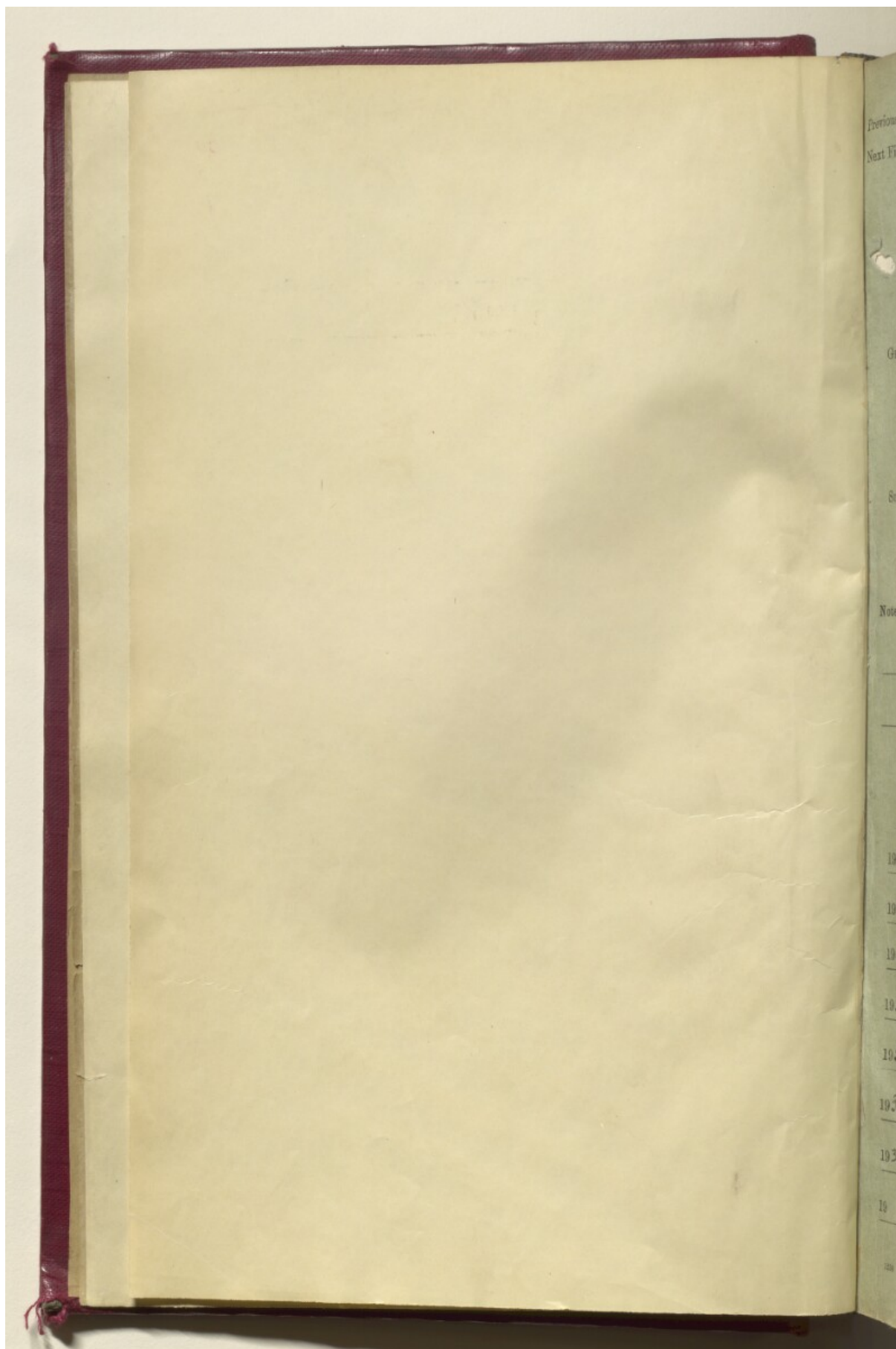














Previous File :
Next File : *coll 30*
910 ~~100~~

Part 1

No. *30*
File *91* ^①

POLITICAL (EXTERNAL) DEPARTMENT.
COLLECTION.

GENERAL HEADING { IOR: *L/PS/12/3811*
Persian Gulf.

SUB-HEAD - { *Koweit Oil Concession*
Agreement between the Shaikh of Kuwait and the Kuwait oil company.

Notes: *coll 30/89 Agreement between A.M.S. & the Kuwait oil boy.*

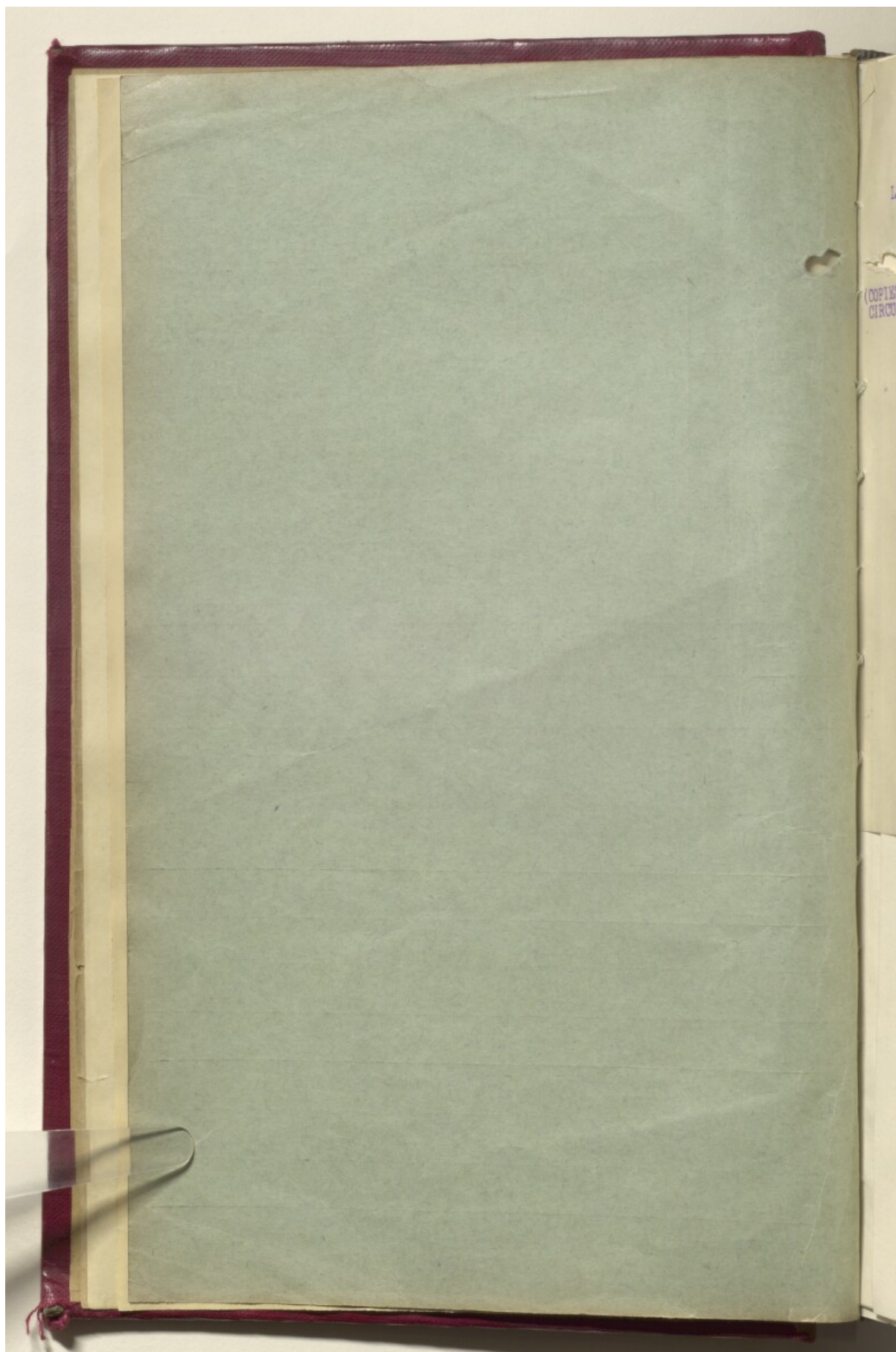
This File contains the following papers :—

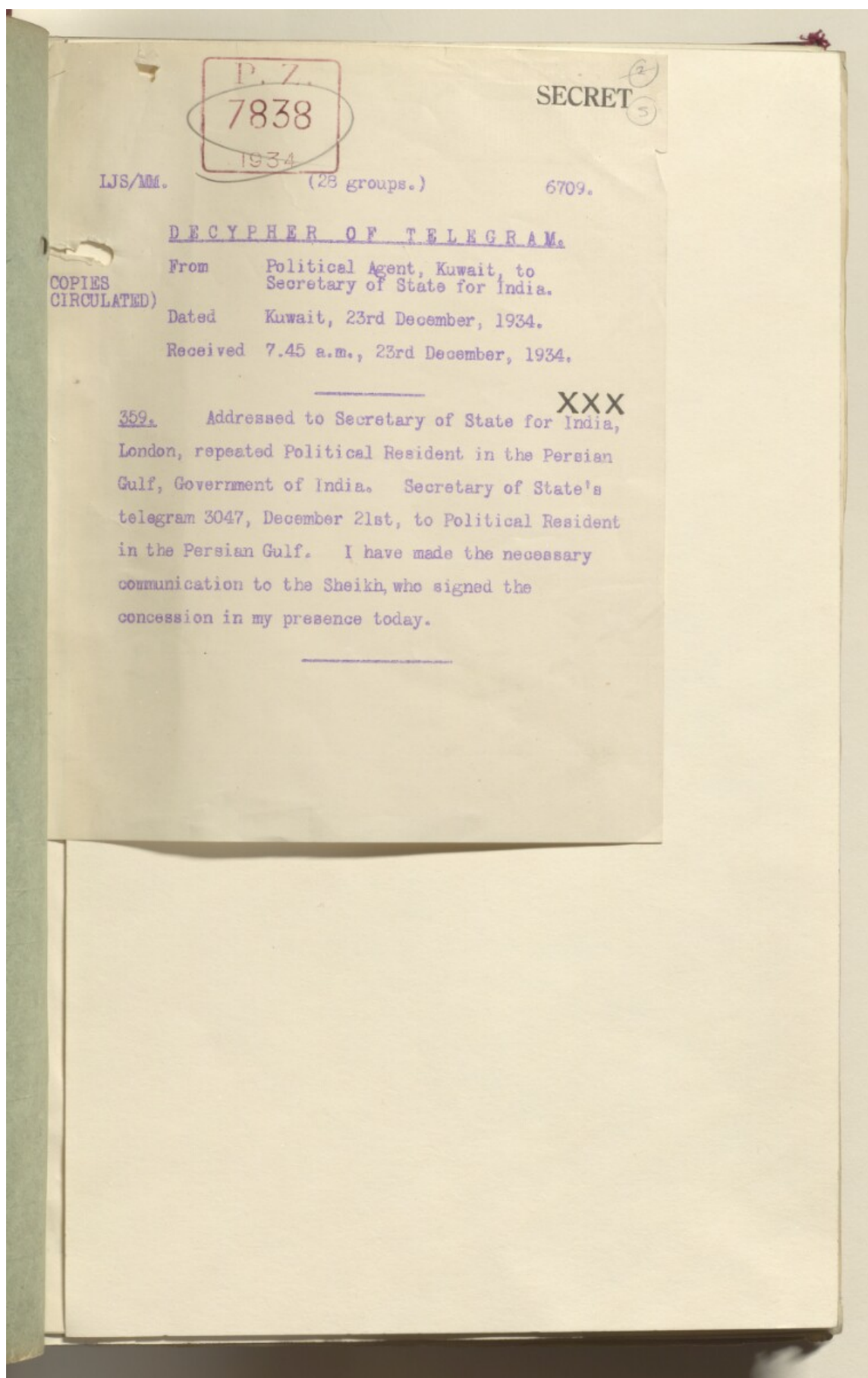
YEAR.	P.Z.	303	306	379	363	725	723	902	1047	1396	1565	1639
1934.	P.Z.	1801	1775	2093	2348	2350	2518	2559	2625	2662	2840	
1934.	P.Z.	2921	2941	3192	3283	3283	3362	3412	3301	3620	3653	
1934.	P.Z.	3814	3793	3823	3822	3824	3874	3912	3999	4025	4145	
1934.	P.Z.	4124	4678	5189	6074	6222	6393	6325	6333	6488	6635	
1934.	P.Z.	6629	6645	7105	7138	7145	7150	7170	7314	7583	7615	
1934.	P.Z.	7620	7621	7669	7668							
1935	P.Z.											

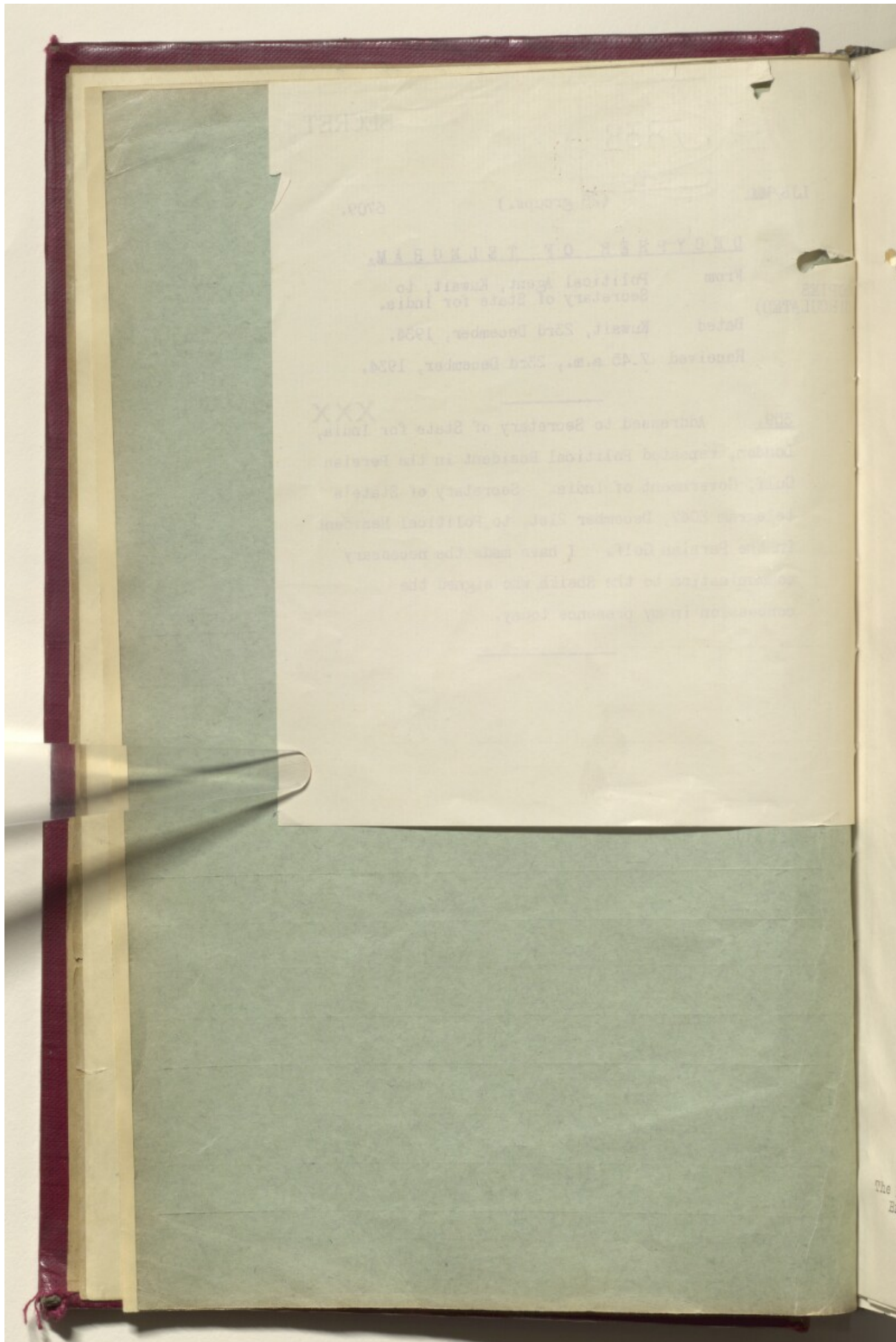
19 . P. *closed*

66 Papers may be removed from or placed within this File only by the Political Registry.

1250 1000 1032









Copy of
Z.7613/34.

21st December, 1934.

Gentlemen,

I am directed by the Secretary of State for India to refer to your interview at the India Office on 17th December, in which you reported that agreement had now been reached between you and His Excellency the Sheikh of Koweit on the subject of the terms of an oil concession in respect of Koweit and that His Excellency was prepared to sign the concession in your favour immediately, subject to the approval of His Majesty's Government.

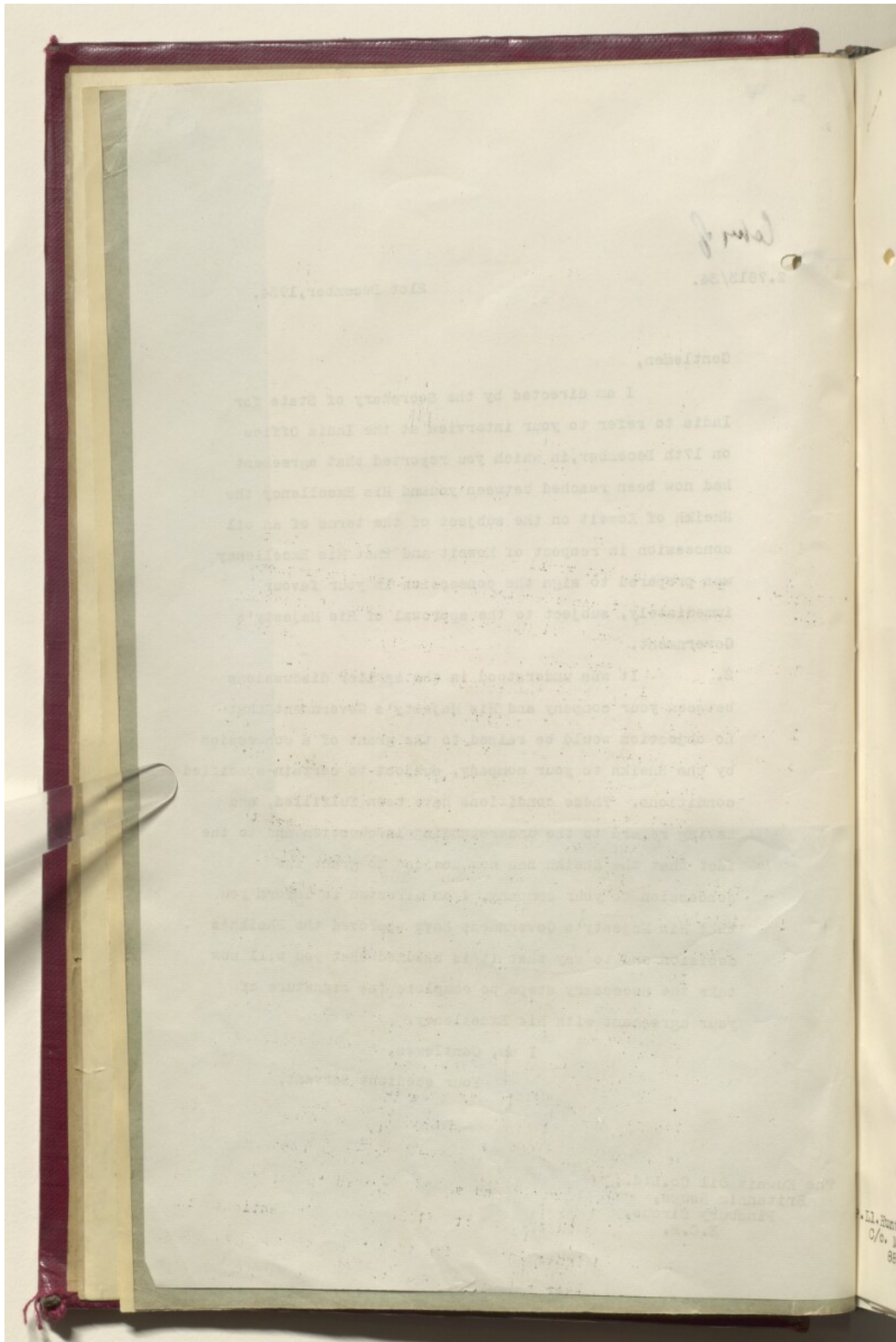
2. It was understood in the earlier discussions between your company and His Majesty's Government that no objection would be raised to the grant of a concession by the Sheikh to your company, subject to certain specified conditions. These conditions have been fulfilled, and having regard to the understanding in question and to the fact that the Sheikh has now decided to grant the concession to your company, I am directed to inform you that His Majesty's Government have approved the Sheikh's decision and to say that it is assumed that you will now take the necessary steps to complete the signature of your agreement with His Excellency.

I am, Gentlemen,

Your obedient Servant,

(Sd) J. C. WALTON.

The Kuwait Oil Co. Ltd.,
Britannic House,
Finsbury Circus,
E.C.2.





Copy of
P.Z. 7815/34.

21st December 1934.

Sir,

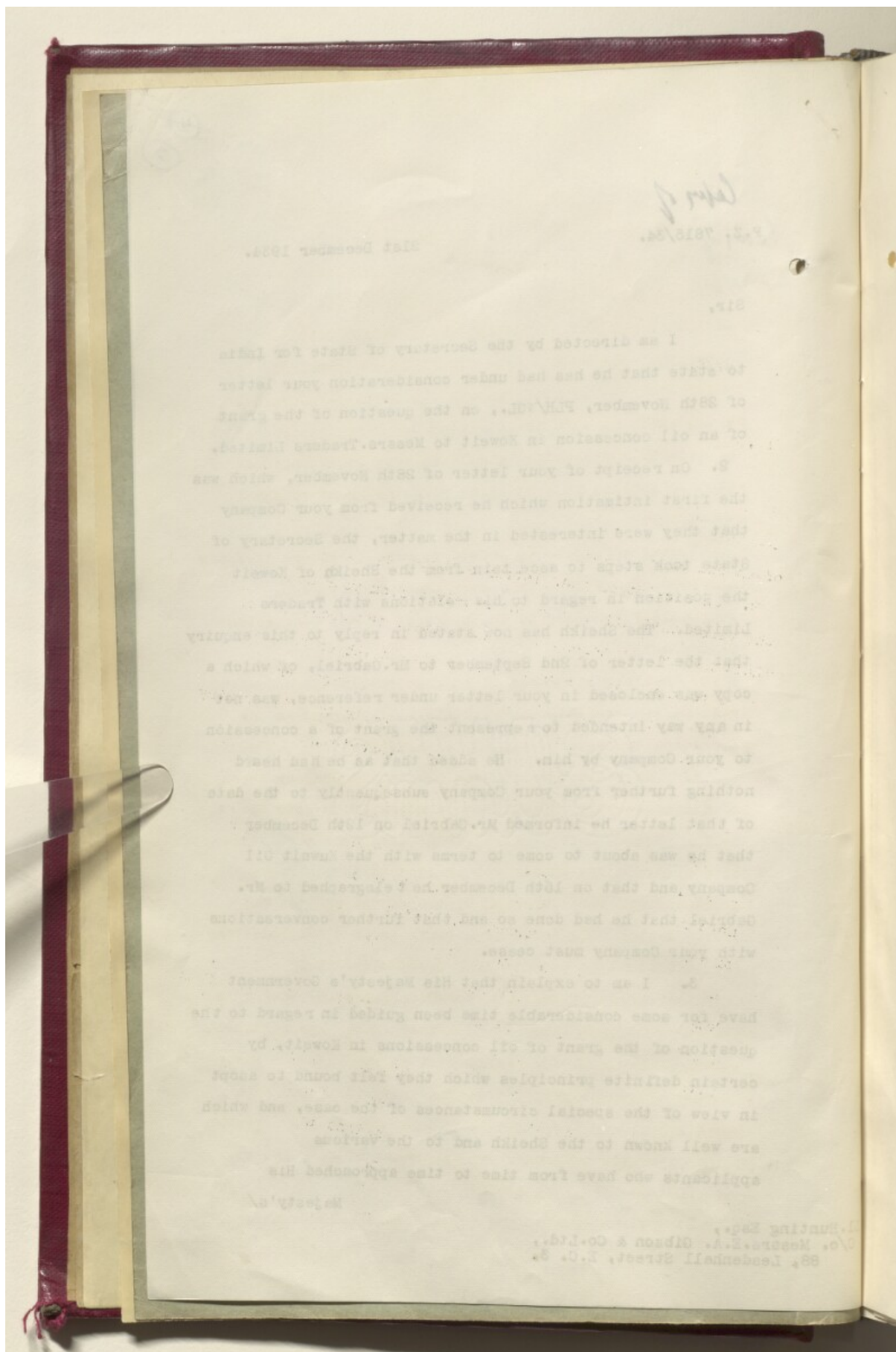
I am directed by the Secretary of State for India to state that he has had under consideration your letter of 28th November, PLH/WGL., on the question of the grant of an oil concession in Koweit to Messrs.Traders Limited.

2. On receipt of your letter of 28th November, which was the first intimation which he received from your Company that they were interested in the matter, the Secretary of State took steps to ascertain from the Sheikh of Koweit the position in regard to his relations with Traders Limited. The Sheikh has now stated in reply to this enquiry that the letter of 2nd September to Mr.Gabriel, of which a copy was enclosed in your letter under reference, was not in any way intended to represent the grant of a concession to your Company by him. He added that as he had heard nothing further from your Company subsequently to the date of that letter he informed Mr.Gabriel on 12th December that he was about to come to terms with the Kuwait Oil Company and that on 15th December he telegraphed to Mr. Gabriel that he had done so and that further conversations with your Company must cease.

3. I am to explain that His Majesty's Government have for some considerable time been guided in regard to the question of the grant of oil concessions in Koweit, by certain definite principles which they felt bound to adopt in view of the special circumstances of the case, and which are well known to the Sheikh and to the various applicants who have from time to time approached His

Majesty's/

Ll.Hunting Esq.,
C/o. Messrs.E.A. Gibson & Co.Ltd.,
88, Leadenhall Street, E.C. 3.





8
2.

Majesty's Government in the matter. The effect of these principles is that the responsibility for deciding as to the grant of an oil concession shall rest with His Excellency subject to the following conditions:-

(a) that the Sheikh (and similarly any applicant for a concession) should consult with His Majesty's Government before entering into negotiations for a concession and that His Majesty's Government should be kept fully informed of all negotiations in connection with the grant of any concession;

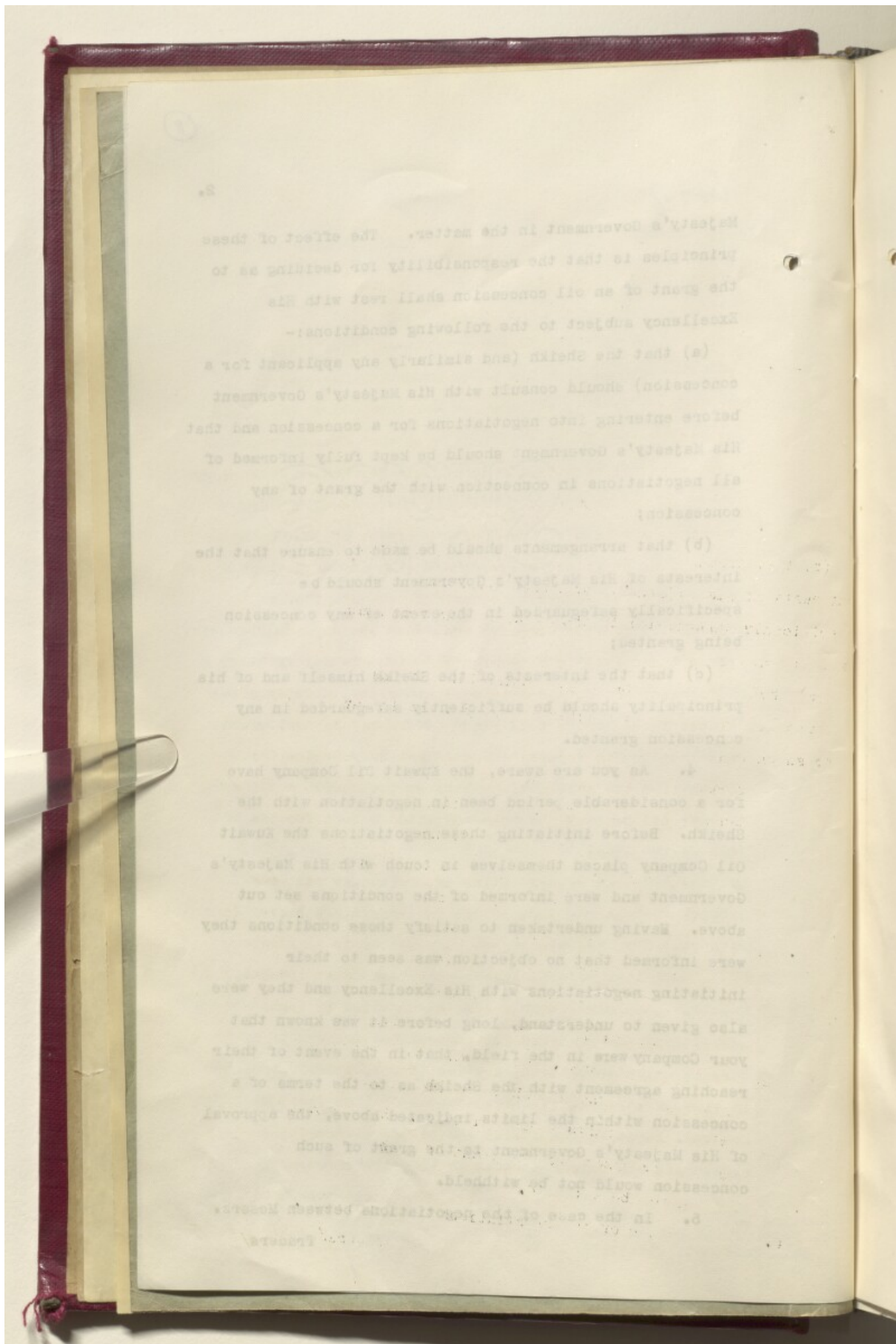
(b) that arrangements should be made to ensure that the interests of His Majesty's Government should be specifically safeguarded in the event of any concession being granted;

(c) that the interests of the Sheikh himself and of his principality should be sufficiently safeguarded in any concession granted.

4. As you are aware, the Kuwait Oil Company have for a considerable period been in negotiation with the Sheikh. Before initiating those negotiations the Kuwait Oil Company placed themselves in touch with His Majesty's Government and were informed of the conditions set out above. Having undertaken to satisfy those conditions they were informed that no objection was seen to their initiating negotiations with His Excellency and they were also given to understand, long before it was known that your Company were in the field, that in the event of their reaching agreement with the Sheikh as to the terms of a concession within the limits indicated above, the approval of His Majesty's Government to the grant of such concession would not be withheld.

5. In the case of the negotiations between Messrs.

Traders/

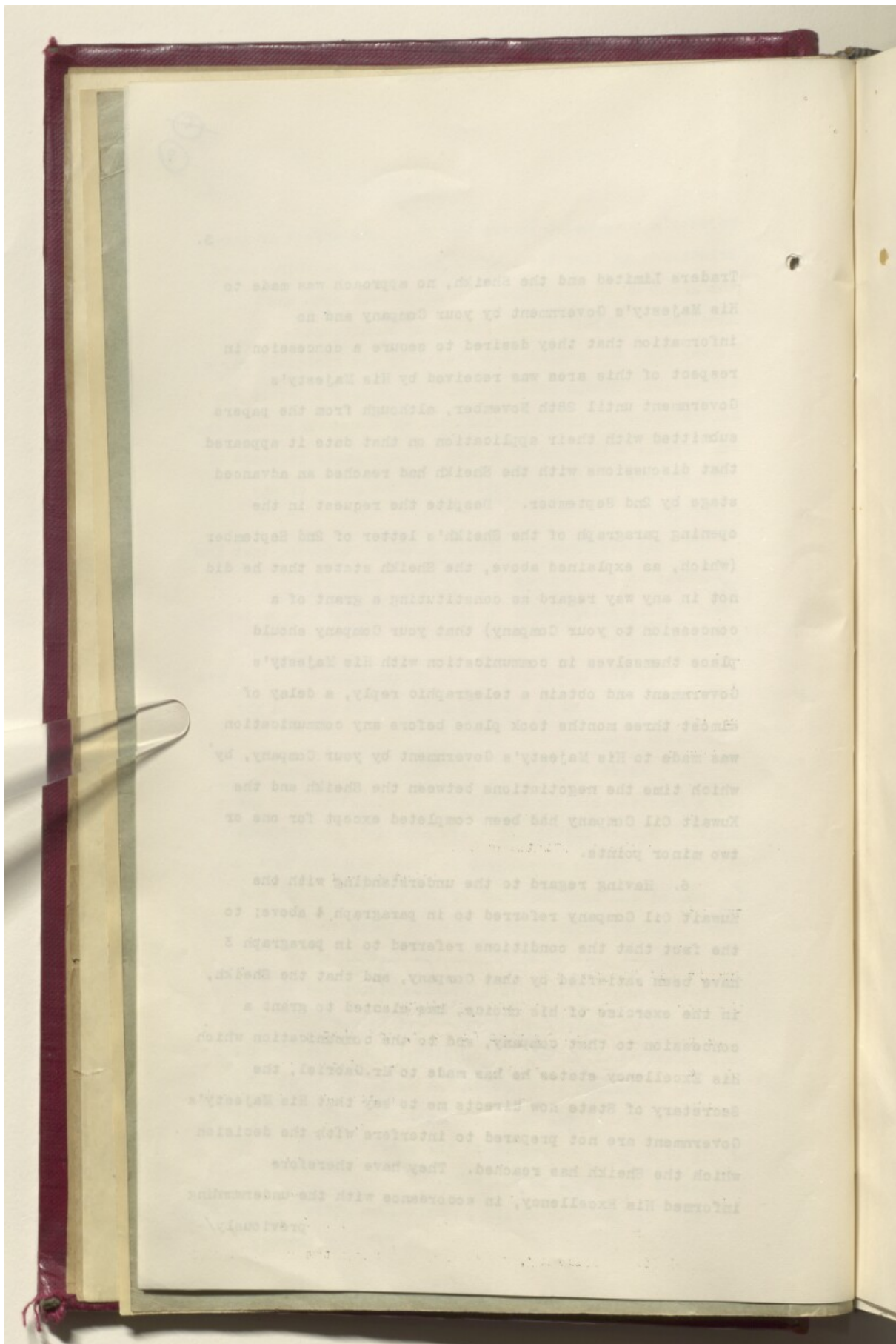


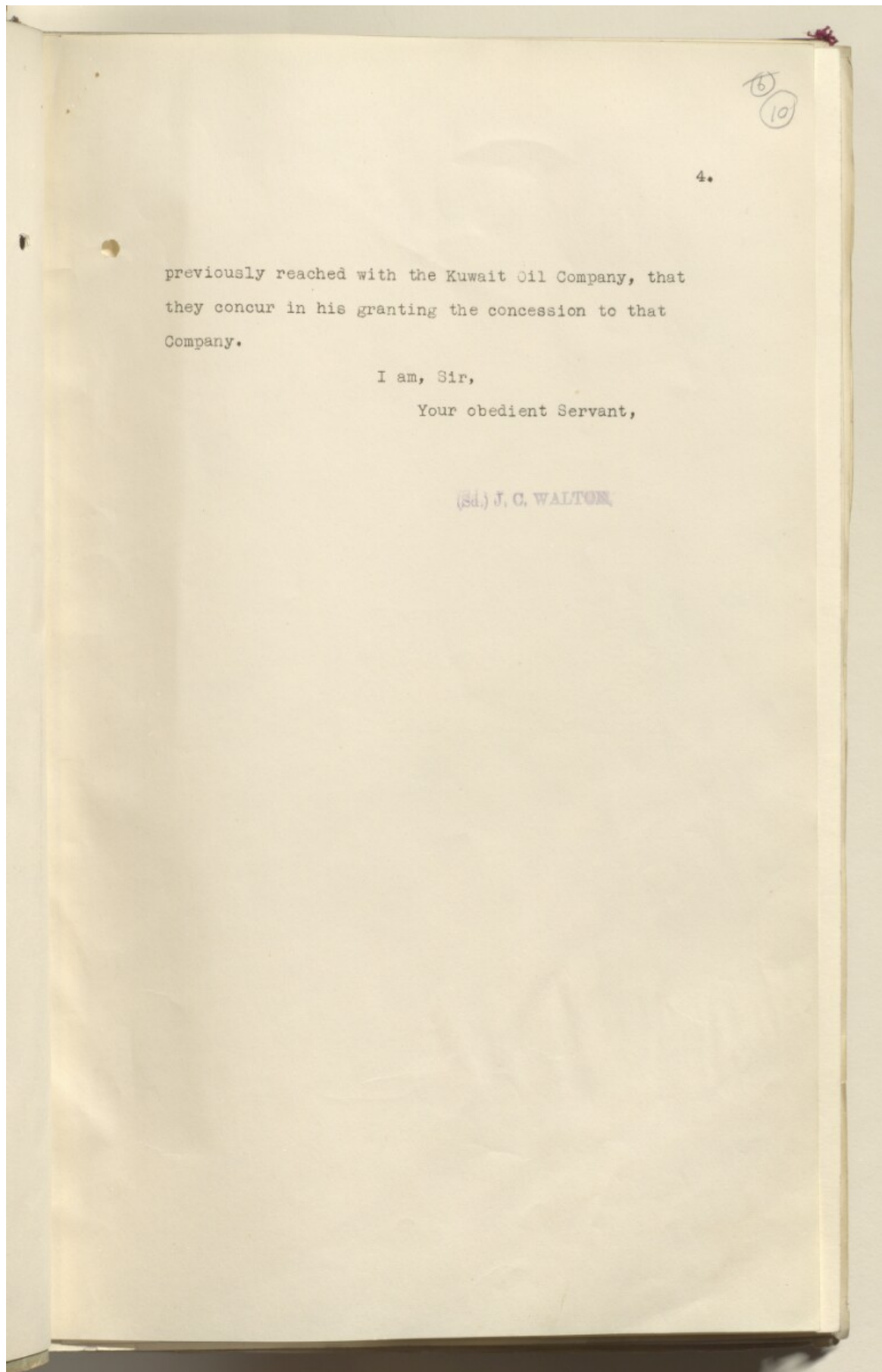


3.

Traders Limited and the Sheikh, no approach was made to His Majesty's Government by your Company and no information that they desired to secure a concession in respect of this area was received by His Majesty's Government until 28th November, although from the papers submitted with their application on that date it appeared that discussions with the Sheikh had reached an advanced stage by 2nd September. Despite the request in the opening paragraph of the Sheikh's letter of 2nd September (which, as explained above, the Sheikh states that he did not in any way regard as constituting a grant of a concession to your Company) that your Company should place themselves in communication with His Majesty's Government and obtain a telegraphic reply, a delay of almost three months took place before any communication was made to His Majesty's Government by your Company, by which time the negotiations between the Sheikh and the Kuwait Oil Company had been completed except for one or two minor points.

6. Having regard to the understanding with the Kuwait Oil Company referred to in paragraph 4 above; to the fact that the conditions referred to in paragraph 3 have been satisfied by that Company, and that the Sheikh, in the exercise of his choice, has elected to grant a concession to that company, and to the communication which His Excellency states he has made to Mr. Gabriel, the Secretary of State now directs me to say that His Majesty's Government are not prepared to interfere with the decision which the Sheikh has reached. They have therefore informed His Excellency, in accordance with the understanding previously/



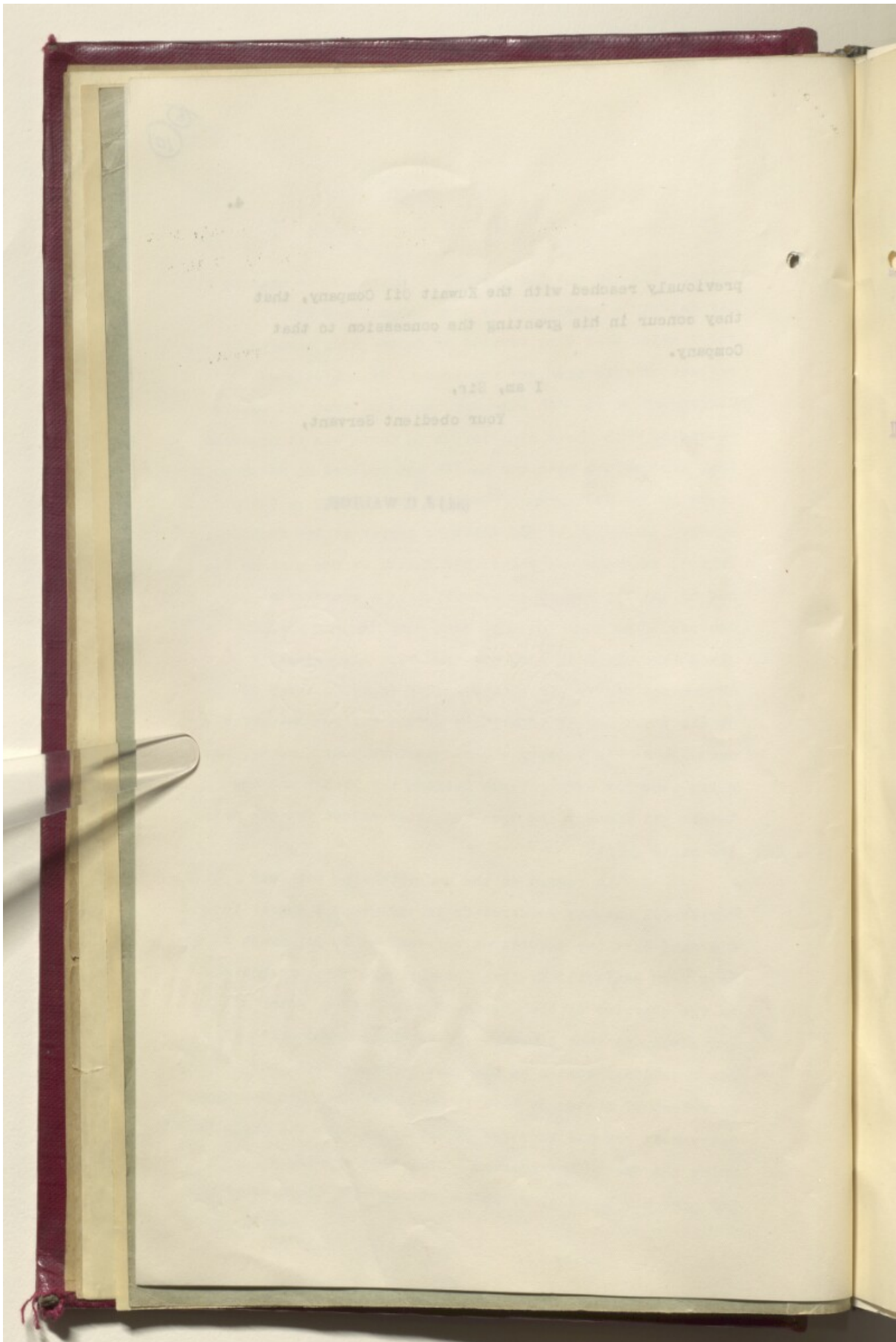


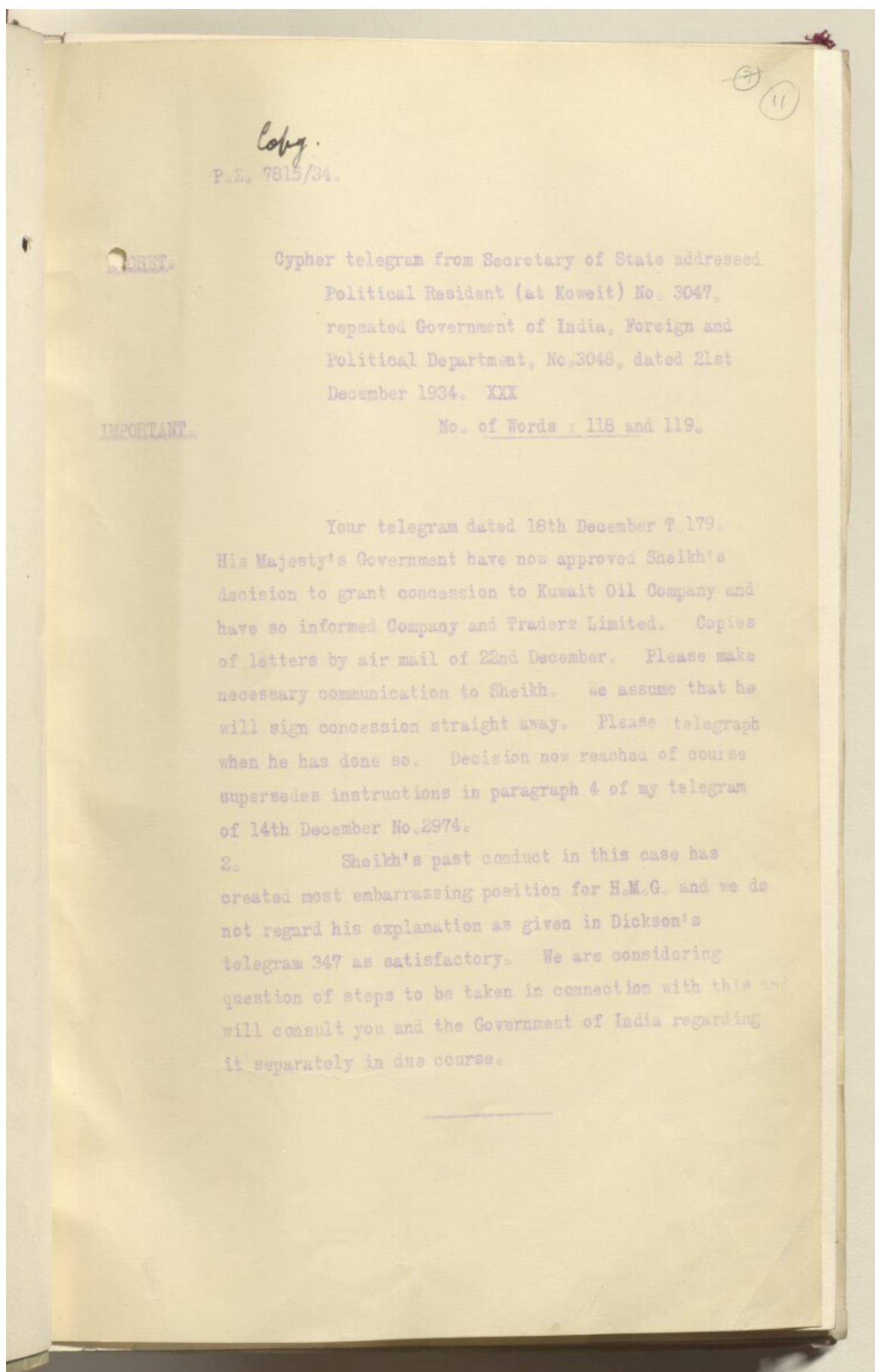
previously reached with the Kuwait Oil Company, that
they concur in his granting the concession to that
Company.

I am, Sir,

Your obedient Servant,

(sd.) J. C. WALTON





Copy.
P.E. 7815/34.

~~SECRET.~~

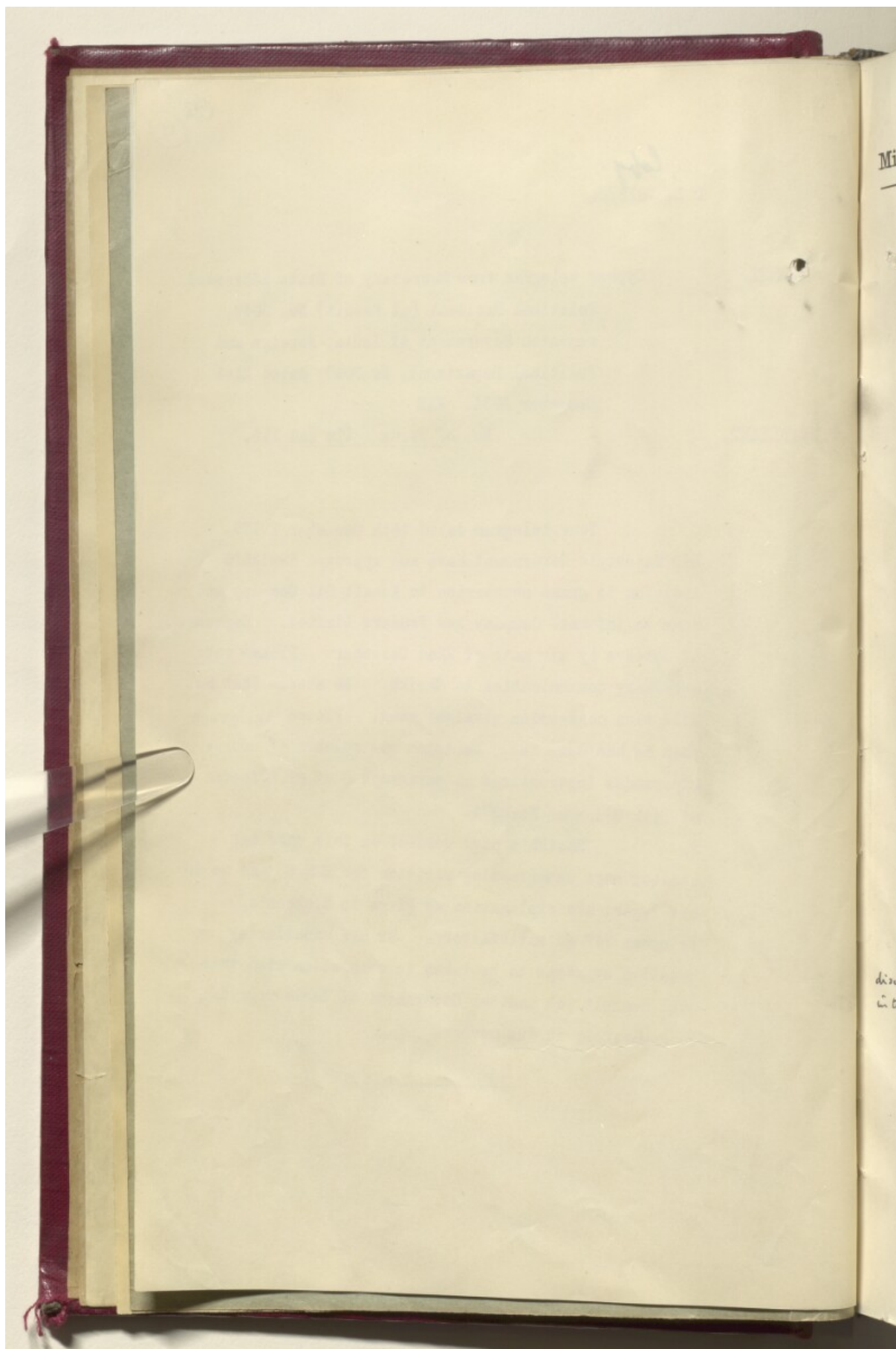
Cypher telegram from Secretary of State addressed
Political Resident (at Koweit) No. 3047,
repeated Government of India, Foreign and
Political Department, No.3048, dated 21st
December 1934. XXX

IMPORTANT.

No. of Words : 118 and 119.

Your telegram dated 18th December T.179.
His Majesty's Government have now approved Sheikh's
decision to grant concession to Kuwait Oil Company and
have so informed Company and Traders Limited. Copies
of letters by air mail of 22nd December. Please make
necessary communication to Sheikh. We assume that he
will sign concession straight away. Please telegraph
when he has done so. Decision now reached of course
supersedes instructions in paragraph 4 of my telegram
of 14th December No.2974.

2. Sheikh's past conduct in this case has
created most embarrassing position for H.M.G. and we do
not regard his explanation as given in Dickson's
telegram 347 as satisfactory. We are considering
question of steps to be taken in connection with this and
will consult you and the Government of India regarding
it separately in due course.





Minute Paper.

POLITICAL Department.

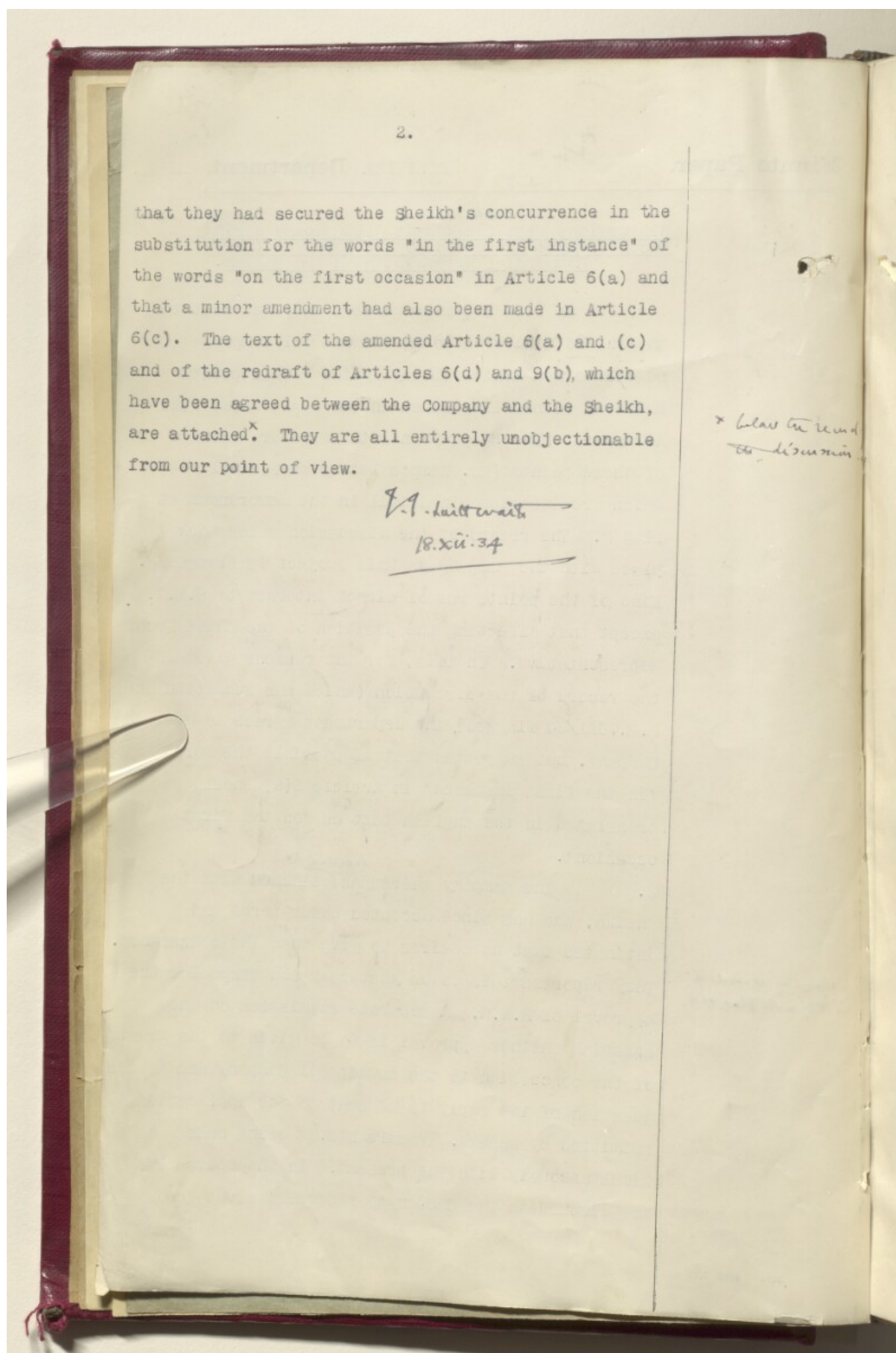
Discussions with the Kuwait Oil Company during
December 1934 in regard to the terms of their
Commercial Agreement with the Sheikh.

On 11th December we were informed that the Sheikh had delivered to the Kuwait Oil Company negotiators a letter embodying the "final points" which he wished introduced in the draft Commercial Agreement. The Company on 12th December informed us of these points (Mr. Kemp's letter on P.Z.7615/34), which are described in detail in the memorandum at flag K. The record of the discussion which took place with the Company on this subject is flagged J. None of the points was of direct interest to H.M.G. except that affecting the position of the Chief Local Representative. On this, for the reasons given in the record of the discussion (which was submitted on P.Z.7621/34 flagged), the department agreed to meet the Company, but suggested that if possible the words "in the first instance" in Article 6(a) should be translated in the English text as "on the first occasion".

2. The Company thereupon ^{decided to} clinch^{ed} with the Sheikh, who has since accepted their terms and intimated that he desires to give them the concession. They reported this to us yesterday and asked for the approval of H.M.G. A separate submission on the question whether approval is to be given to the grant of the concession to the Kuwait Oil Company and on the question of the reply to be sent to the application submitted by Messrs. Traders Ltd. is being made simultaneously with the present. In the course of the discussion the Company's representatives intimated that/

discussion recorded
in the note flagged.

2621 6000 3/34





AMENDED ARTICLES.

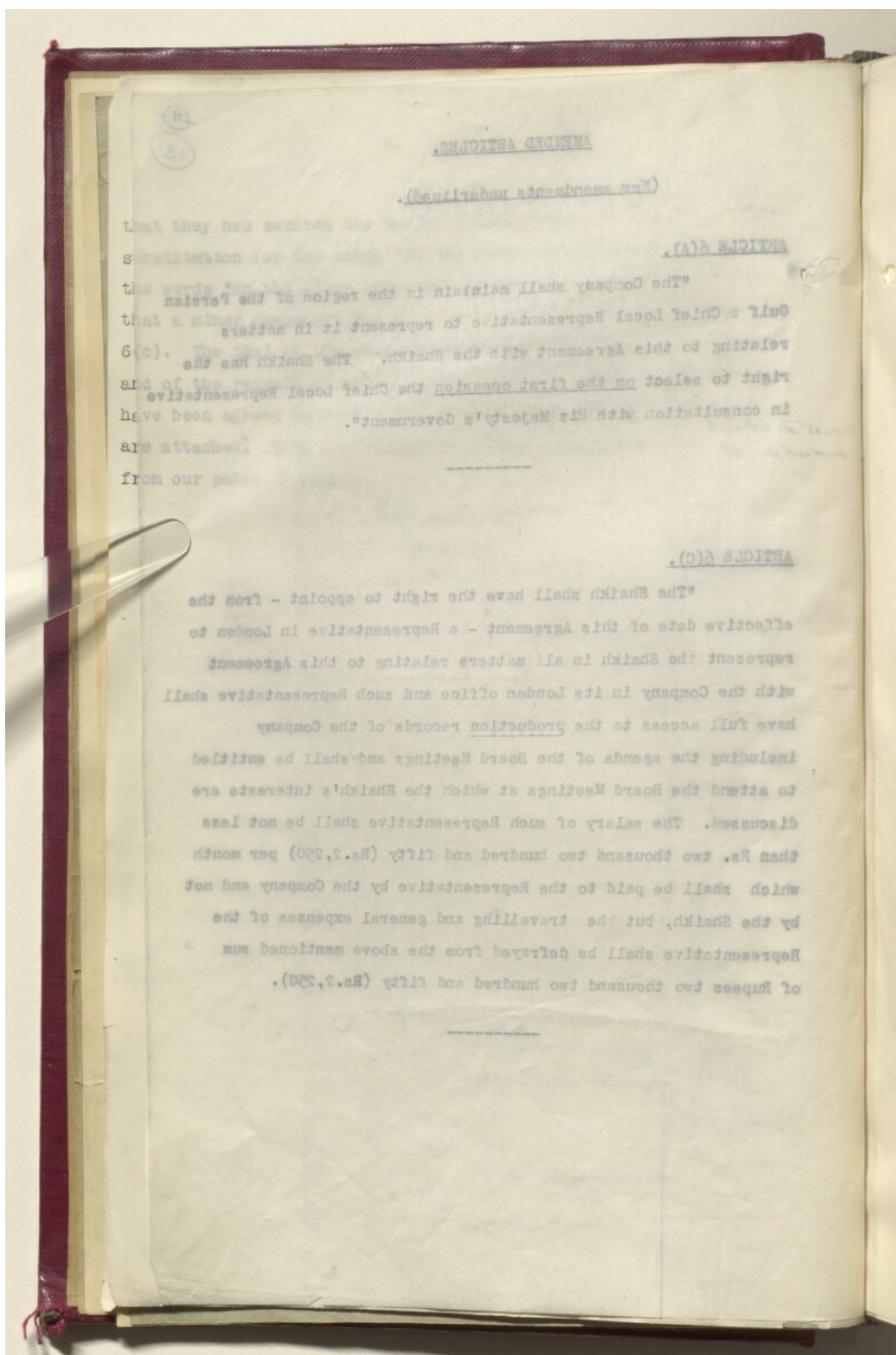
(New amendments underlined).

ARTICLE 6(A).

"The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh. The Shaikh has the right to select on the first occasion the Chief Local Representative in consultation with His Majesty's Government".

ARTICLE 6(C).

"The Shaikh shall have the right to appoint - from the effective date of this Agreement - a Representative in London to represent the Shaikh in all matters relating to this Agreement with the Company in its London office and such Representative shall have full access to the production records of the Company including the agenda of the Board Meetings and shall be entitled to attend the Board Meetings at which the Shaikh's interests are discussed. The salary of such Representative shall be not less than Rs. two thousand two hundred and fifty (Rs.2,250) per month which shall be paid to the Representative by the Company and not by the Shaikh, but the travelling and general expenses of the Representative shall be defrayed from the above mentioned sum of Rupees two thousand two hundred and fifty (Rs.2,250).





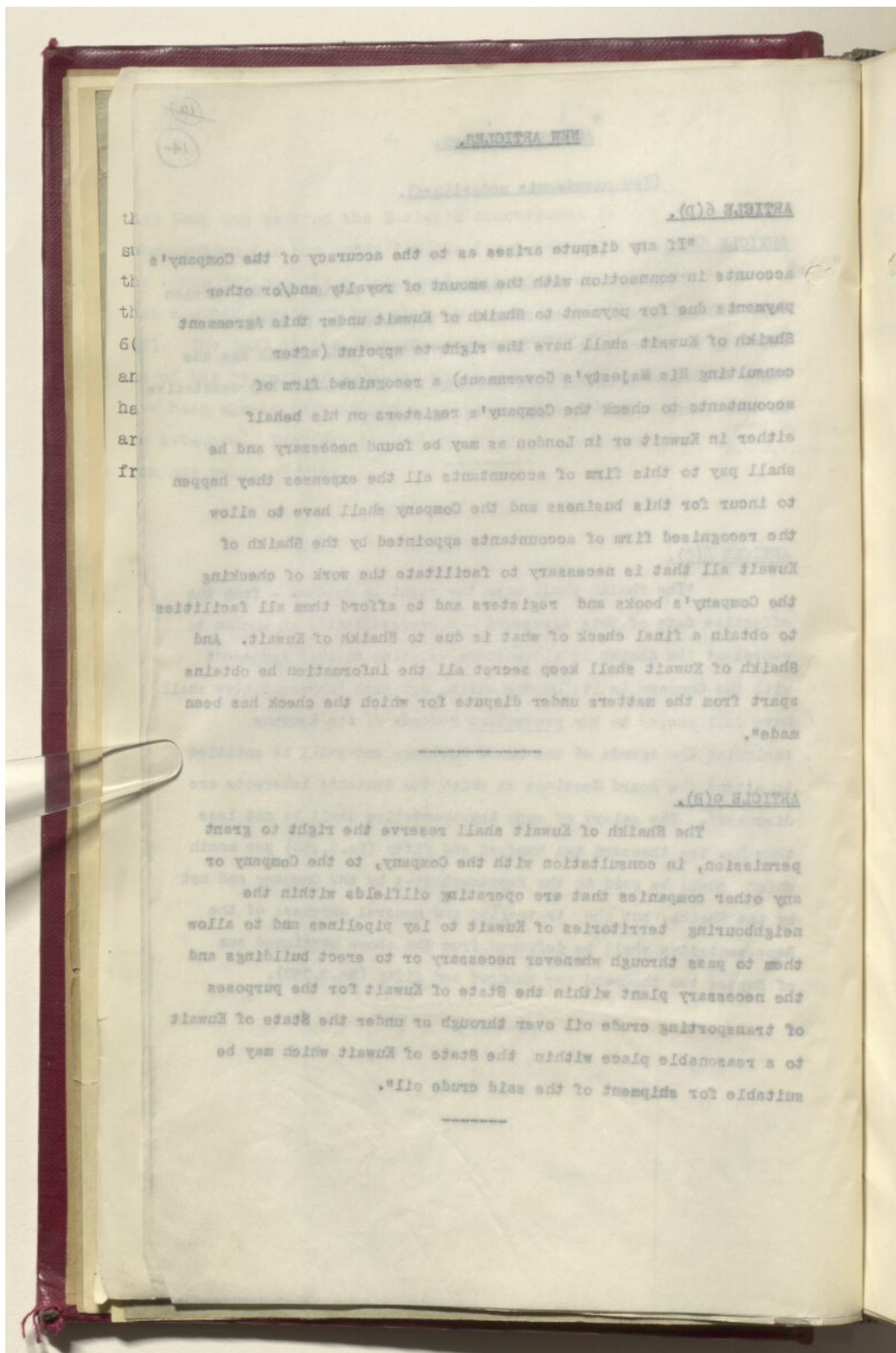
NEW ARTICLES.

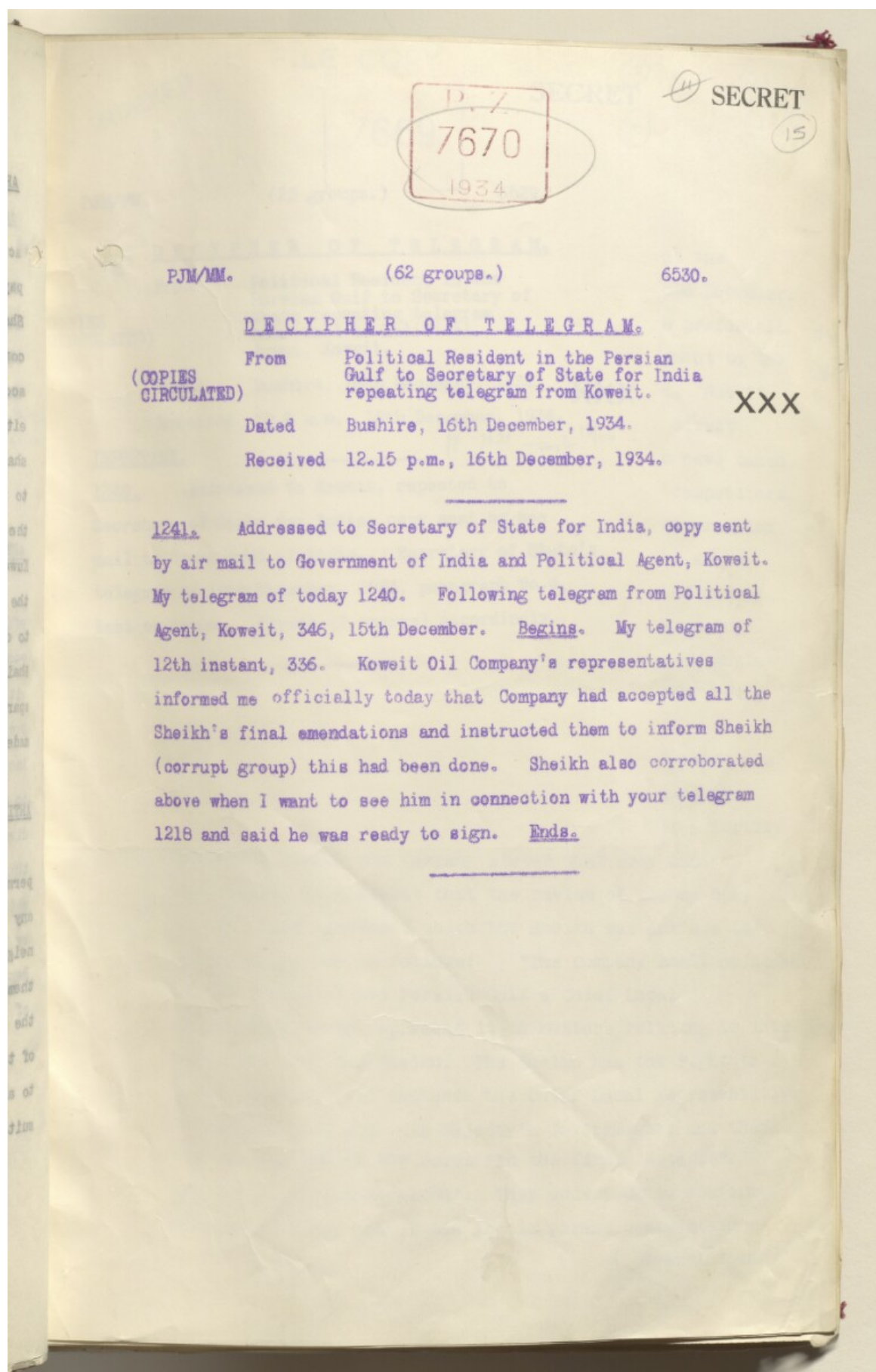
ARTICLE 6(D).

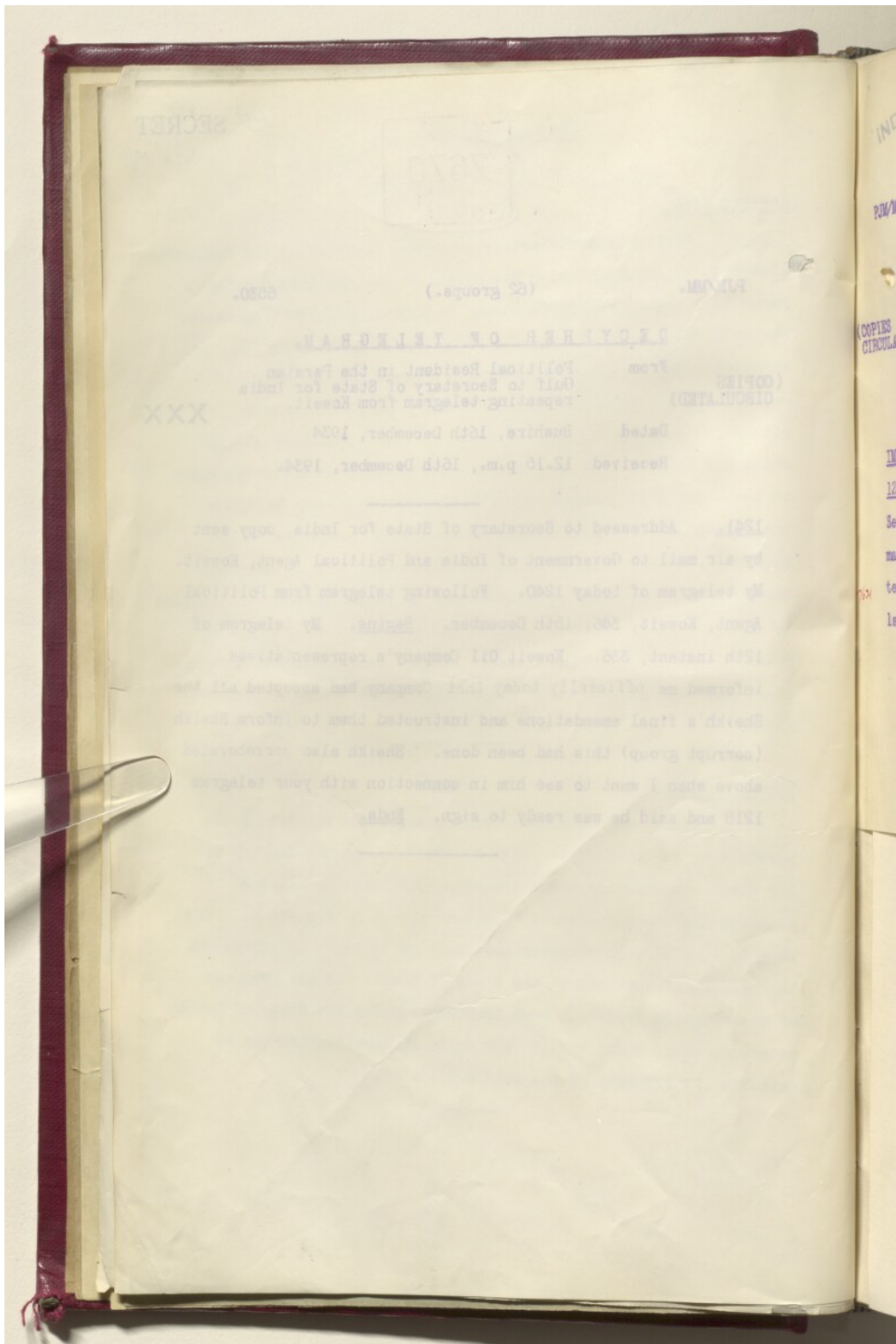
"If any dispute arises as to the accuracy of the Company's accounts in connection with the amount of royalty and/or other payments due for payment to Shaikh of Kuwait under this Agreement Shaikh of Kuwait shall have the right to appoint (after consulting His Majesty's Government) a recognised firm of accountants to check the Company's registers on his behalf either in Kuwait or in London as may be found necessary and he shall pay to this firm of accountants all the expenses they happen to incur for this business and the Company shall have to allow the recognised firm of accountants appointed by the Shaikh of Kuwait all that is necessary to facilitate the work of checking the Company's books and registers and to afford them all facilities to obtain a final check of what is due to Shaikh of Kuwait. And Shaikh of Kuwait shall keep secret all the information he obtains apart from the matters under dispute for which the check has been made".

ARTICLE 9(B).

The Shaikh of Kuwait shall reserve the right to grant permission, in consultation with the Company, to the Company or any other companies that are operating oilfields within the neighbouring territories of Kuwait to lay pipelines and to allow them to pass through whenever necessary or to erect buildings and the necessary plant within the State of Kuwait for the purposes of transporting crude oil over through or under the State of Kuwait to a reasonable place within the State of Kuwait which may be suitable for shipment of the said crude oil".

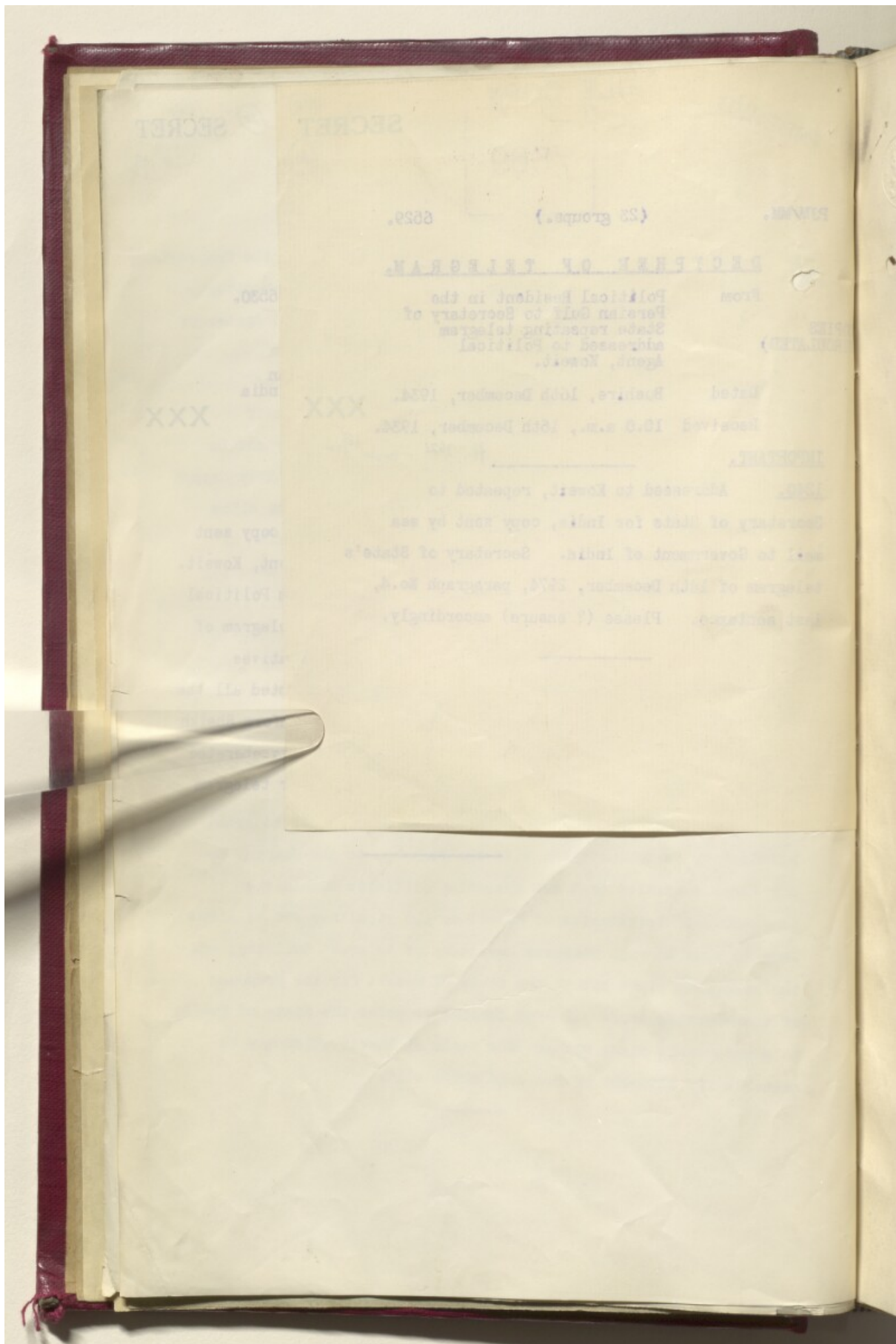


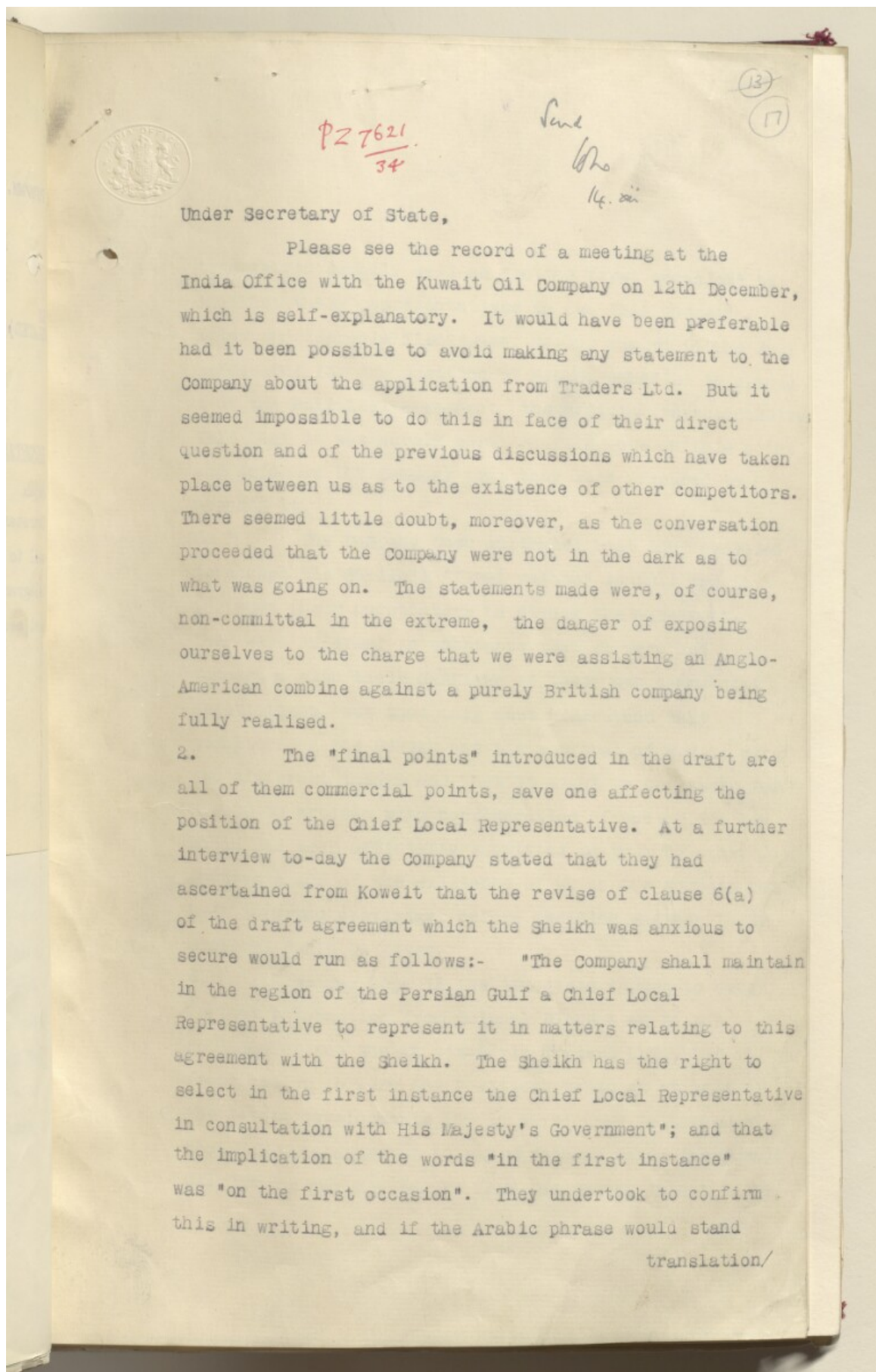






INDEXED FILE COPY
P. Z.
7669
1934
SECRET (12) (16)
PJM/MM. (23 groups.) 6529.
DECYPHER OF TELEGRAM.
From Political Resident in the Persian Gulf to Secretary of State repeating telegram addressed to Political Agent, Koweit.
COPIES CIRCULATED)
Dated Bushire, 16th December, 1934. XXX
Received 10.0 a.m., 16th December, 1934.
IMPORTANT. ft. 7621 - m/L 12/12
1240. Addressed to Koweit, repeated to Secretary of State for India, copy sent by sea mail to Government of India. Secretary of State's telegram of 14th December, 2974, paragraph No.4, last sentence. Please (? ensure) accordingly.

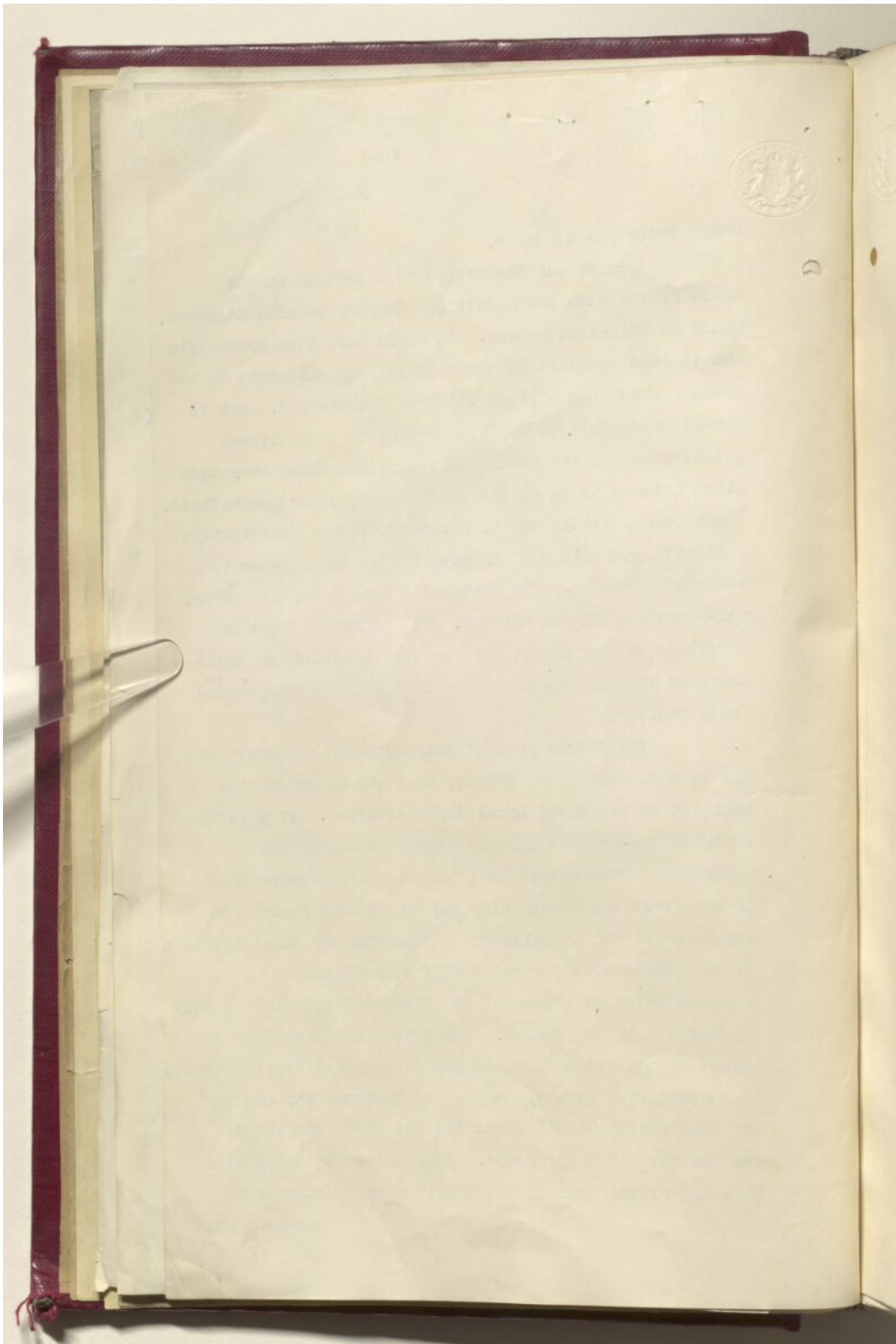
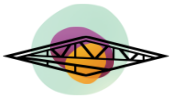


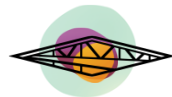


Under Secretary of State,

Please see the record of a meeting at the India Office with the Kuwait Oil Company on 12th December, which is self-explanatory. It would have been preferable had it been possible to avoid making any statement to the Company about the application from Traders Ltd. But it seemed impossible to do this in face of their direct question and of the previous discussions which have taken place between us as to the existence of other competitors. There seemed little doubt, moreover, as the conversation proceeded that the Company were not in the dark as to what was going on. The statements made were, of course, non-committal in the extreme, the danger of exposing ourselves to the charge that we were assisting an Anglo-American combine against a purely British company being fully realised.

2. The "final points" introduced in the draft are all of them commercial points, save one affecting the position of the Chief Local Representative. At a further interview to-day the Company stated that they had ascertained from Koweit that the revise of clause 6(a) of the draft agreement which the Sheikh was anxious to secure would run as follows:- "The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this agreement with the Sheikh. The Sheikh has the right to select in the first instance the Chief Local Representative in consultation with His Majesty's Government"; and that the implication of the words "in the first instance" was "on the first occasion". They undertook to confirm this in writing, and if the Arabic phrase would stand translation/



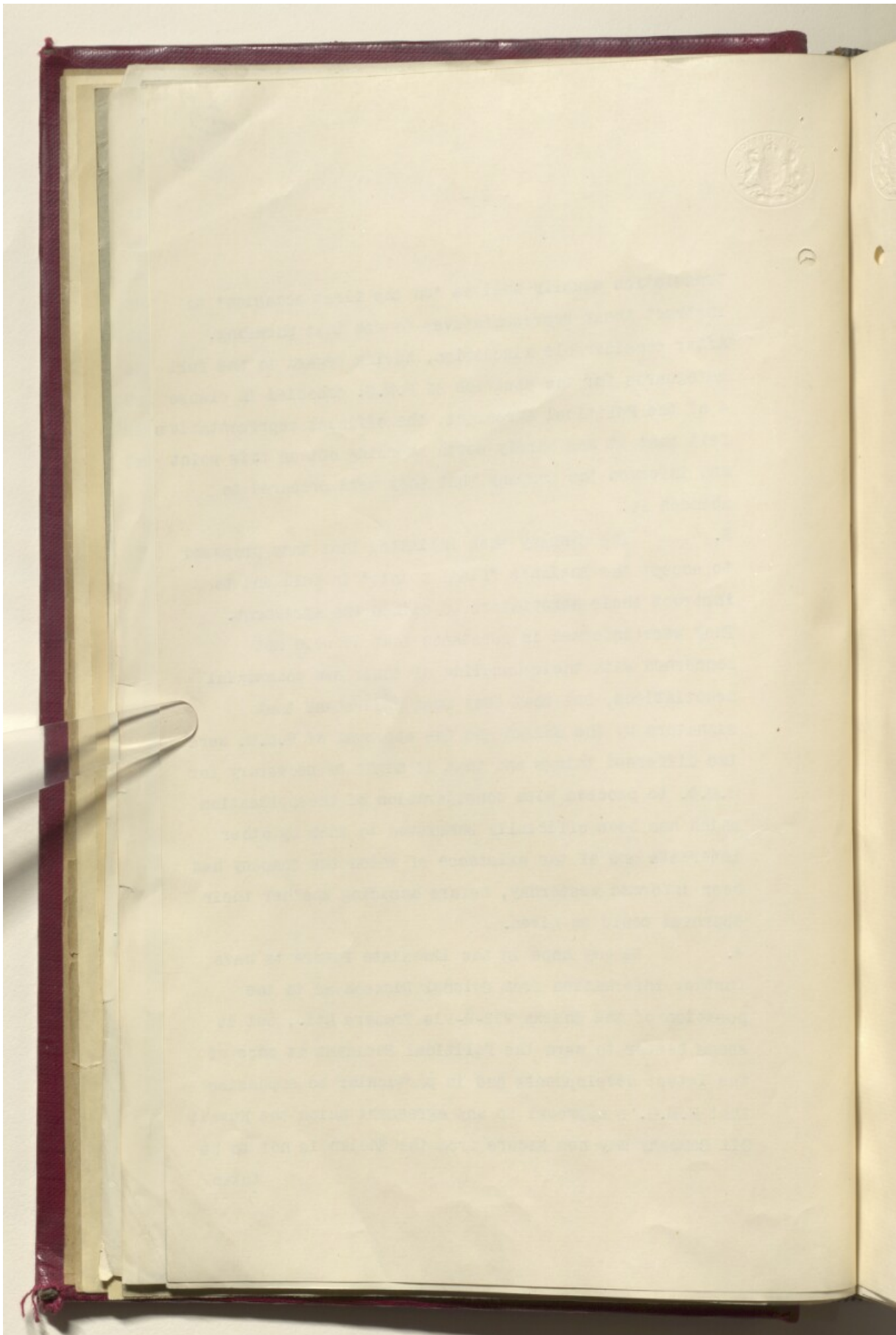
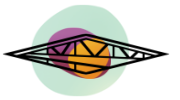


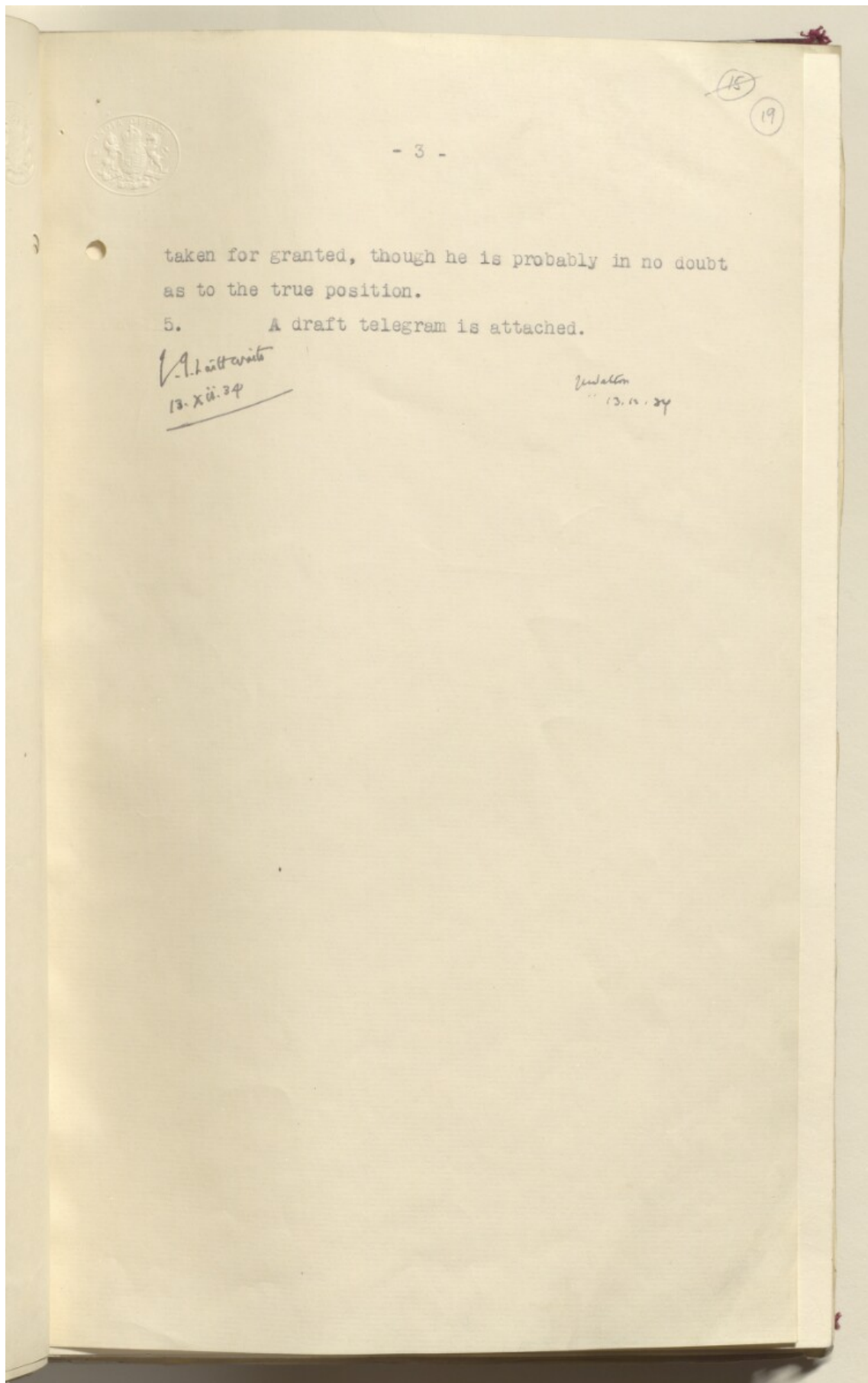
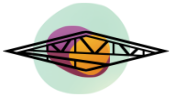
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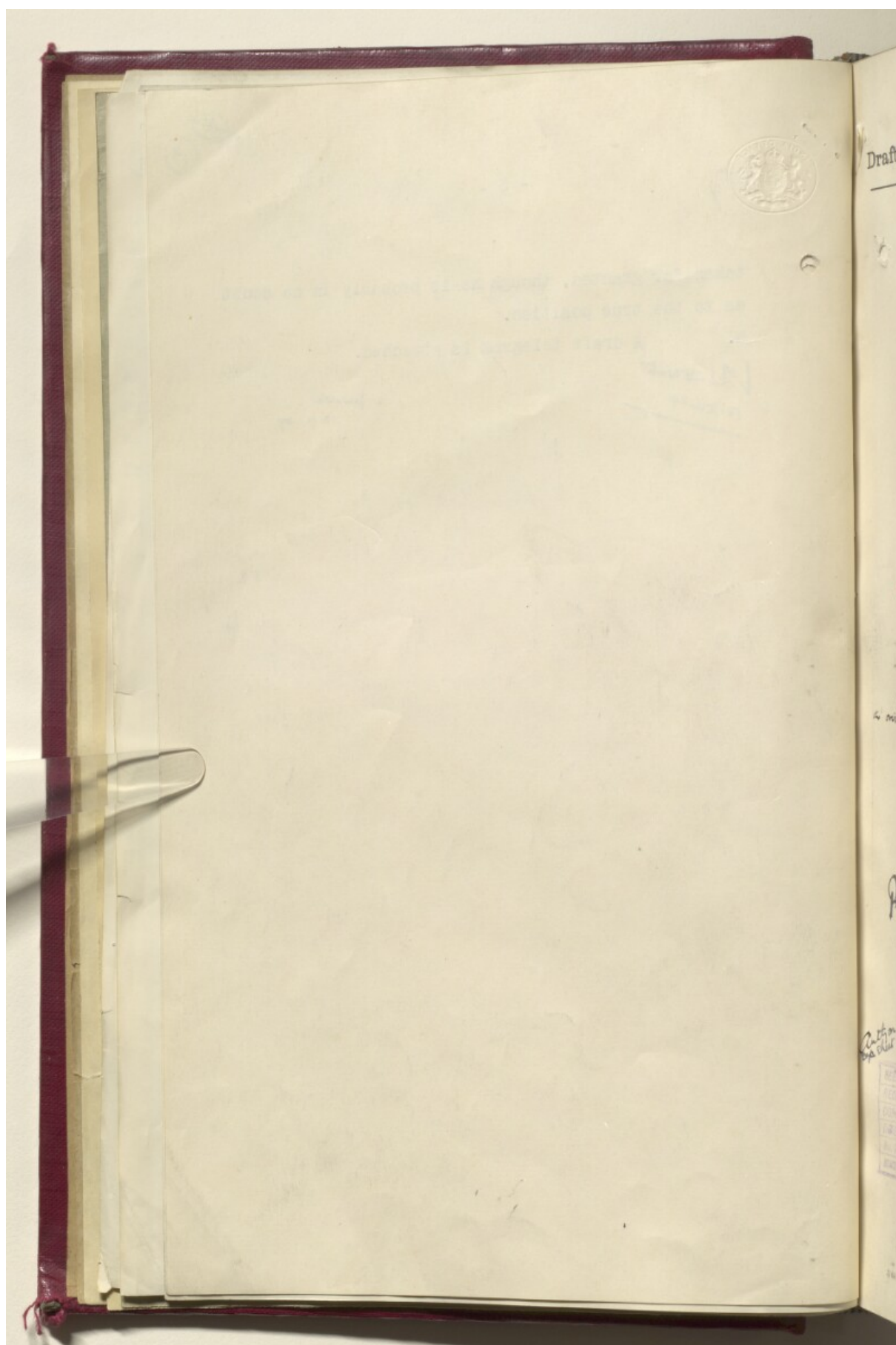
translation equally well as "on the first occasion" to instruct their representatives to use that phrasing. After considerable discussion, having regard to the full safeguards for the position of H.M.G. embodied in clause 4 of the Political Agreement, the official representatives felt that it was hardly worth standing out on this point and informed the Company that they were prepared to abandon it.

3. The Company then intimated that they proposed to accept the Sheikh's "final points" in full and to instruct their negotiators to clinch the agreement. They were informed in substance that we were not concerned with their handling of their own commercial negotiations, but that they must understand that signature by the Sheikh and the approval of H.M.G. were two different things and that it might be necessary for H.M.G. to proceed with consideration of the application which had been officially submitted to them by other interests and of the existence of which the Company had been informed yesterday, before deciding whether their approval could be given.

4. We may hope in the immediate future to have further information from Colonel Dickson as to the position of the Sheikh vis-à-vis Traders Ltd., but it seems better to warn the Political Resident at once of the latest developments and in particular to emphasise that H.M.G.'s approval to any agreement which the Kuwait Oil Company may now secure from the Sheikh is not to be taken/









Draft Paper.

P.2.7621

34

POLITICAL Department.

DRAFT TELEGRAM.

From Secretary of State

To Political Resident, Bushire. ^{no 2944}
Repeated Political Agent, Koweit. ^{no 2945}
Copy by Air Mail to Govt. of India.

Cypher X X X

Important.

COPY SENT BY AIR MAIL
of 14 DEC 1934 to India.

as reference for this point in Commercial Agreement is subject to the existing provisions of Political Agreement of concern primarily to Company

*By 1 Sent xxx
14/12 4.45 pm
E.L.P.*

not on A sheet

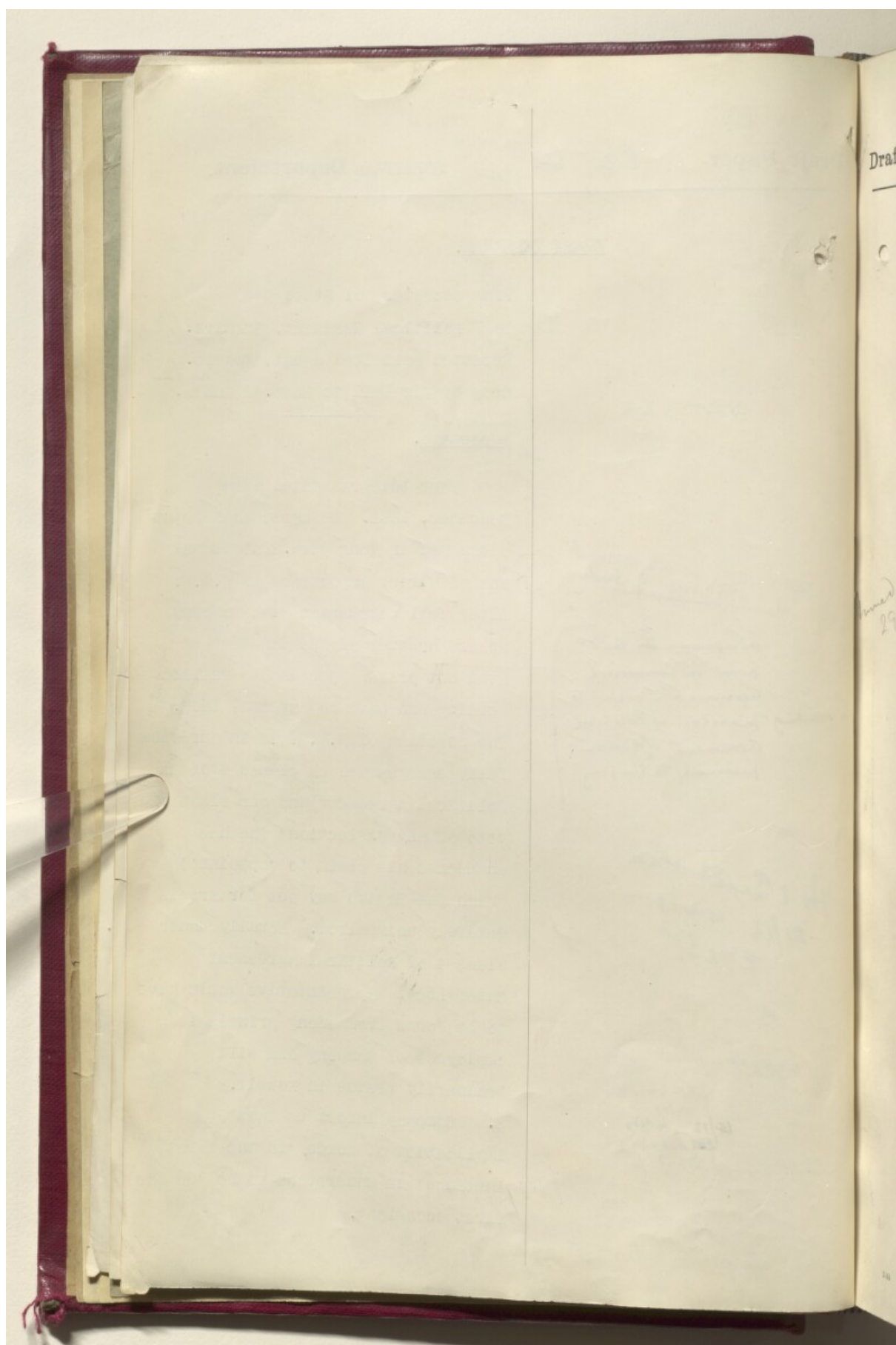
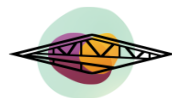
SEEN BY	DATE	TIME
RECD. INTEL. DIV.	14/12	2.55 pm
DORE, X OF 34	XXY	
INFORMATION	14/12	4.45 pm
NO. OF BURO	345-344	
SENDER'S INITIALS	E.L.P.	

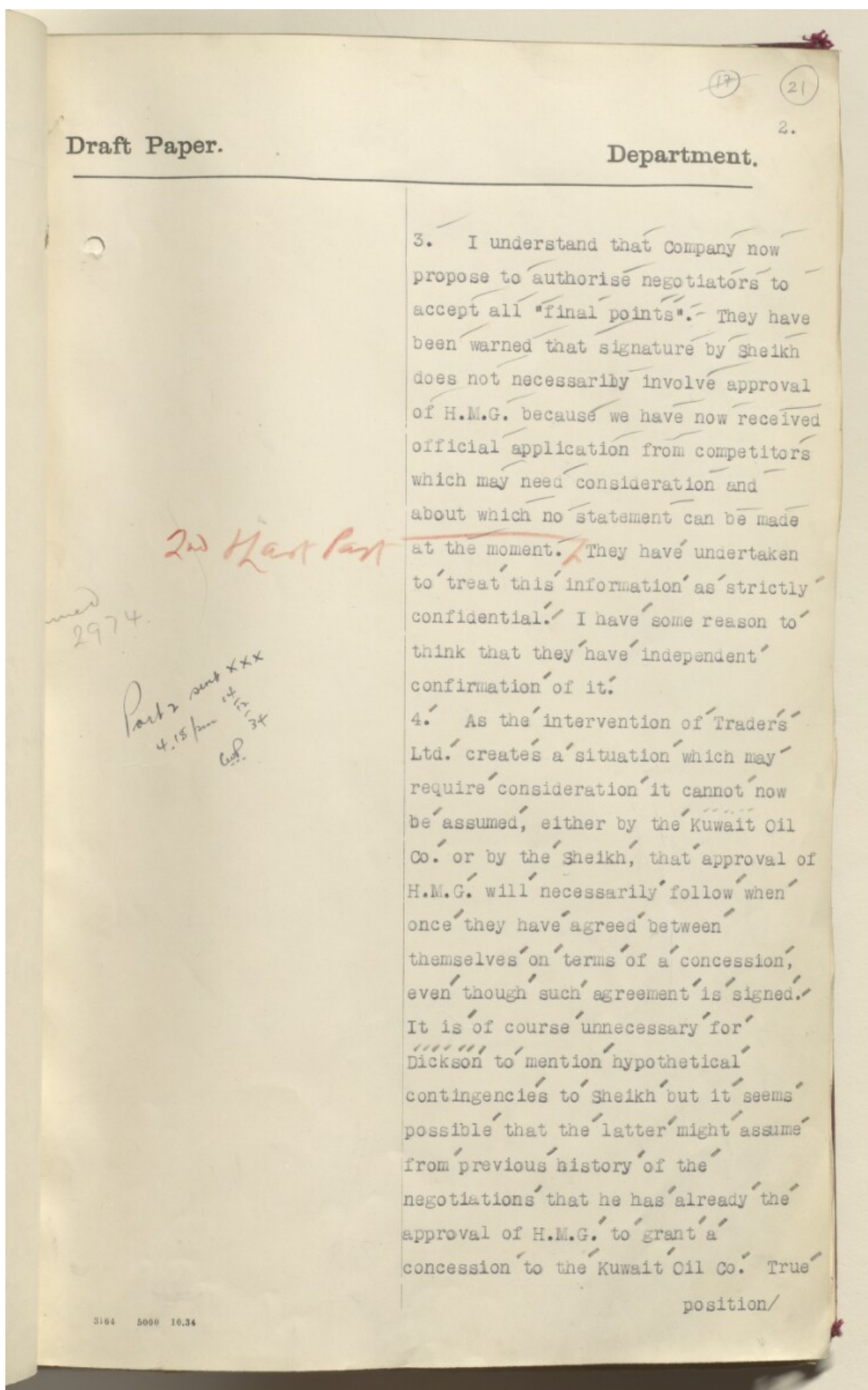
3164 5980 10.34

11/12 2 P.M. 6-7 Your telegram dated 13th December, 1934. We agree that point discussed in your para. 2(d) is only one of direct importance to H.M.G. After full discussion with Company we are however of opinion that we need not press objection to revised wording and have so informed them. The position of H.M.G. is in our view fully safeguarded by ^{article} clause 4 of Political Agreement and our right of veto of any "selection" (he has abandoned his claim to "appoint") which the Sheikh may put forward is entirely unimpaired. Equally under clause 4 of Political Agreement Chief Local Representative would have to be found from among principal employees of Company and will ordinarily reside in Koweit.

2. Company inform us that implication of words "in the first instance" is understood to be "on the first occasion".

3/



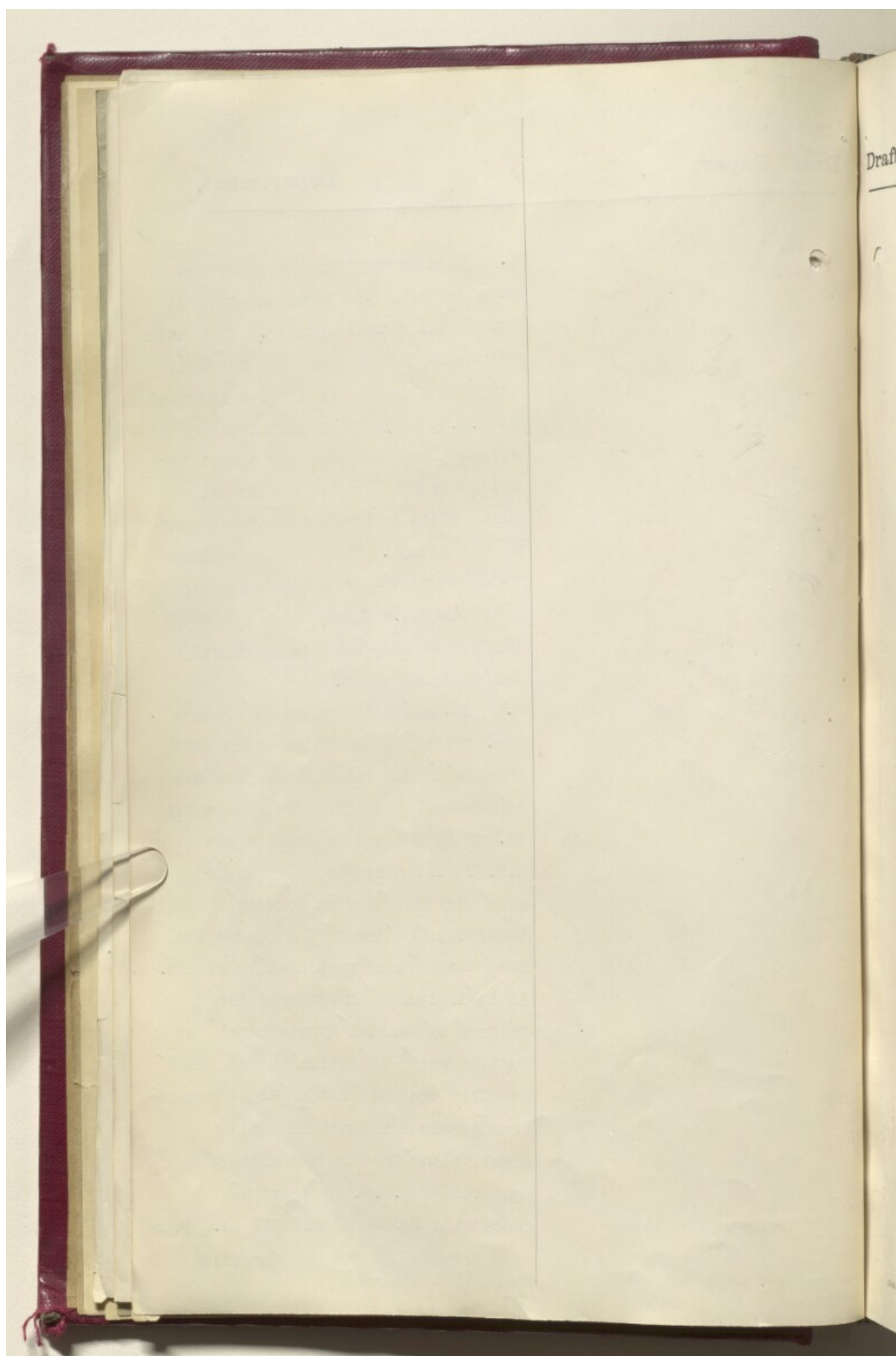


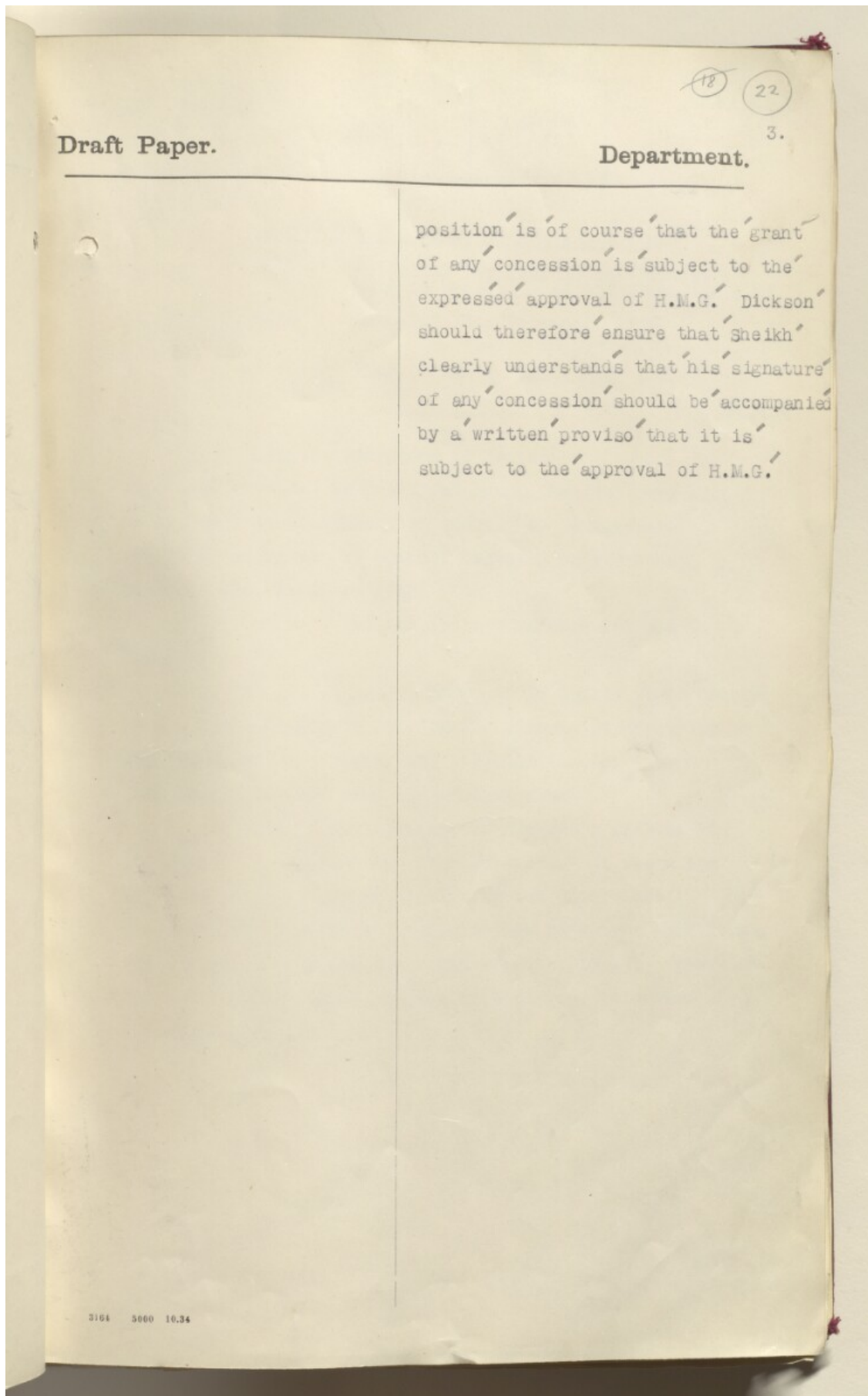
Draft Paper.

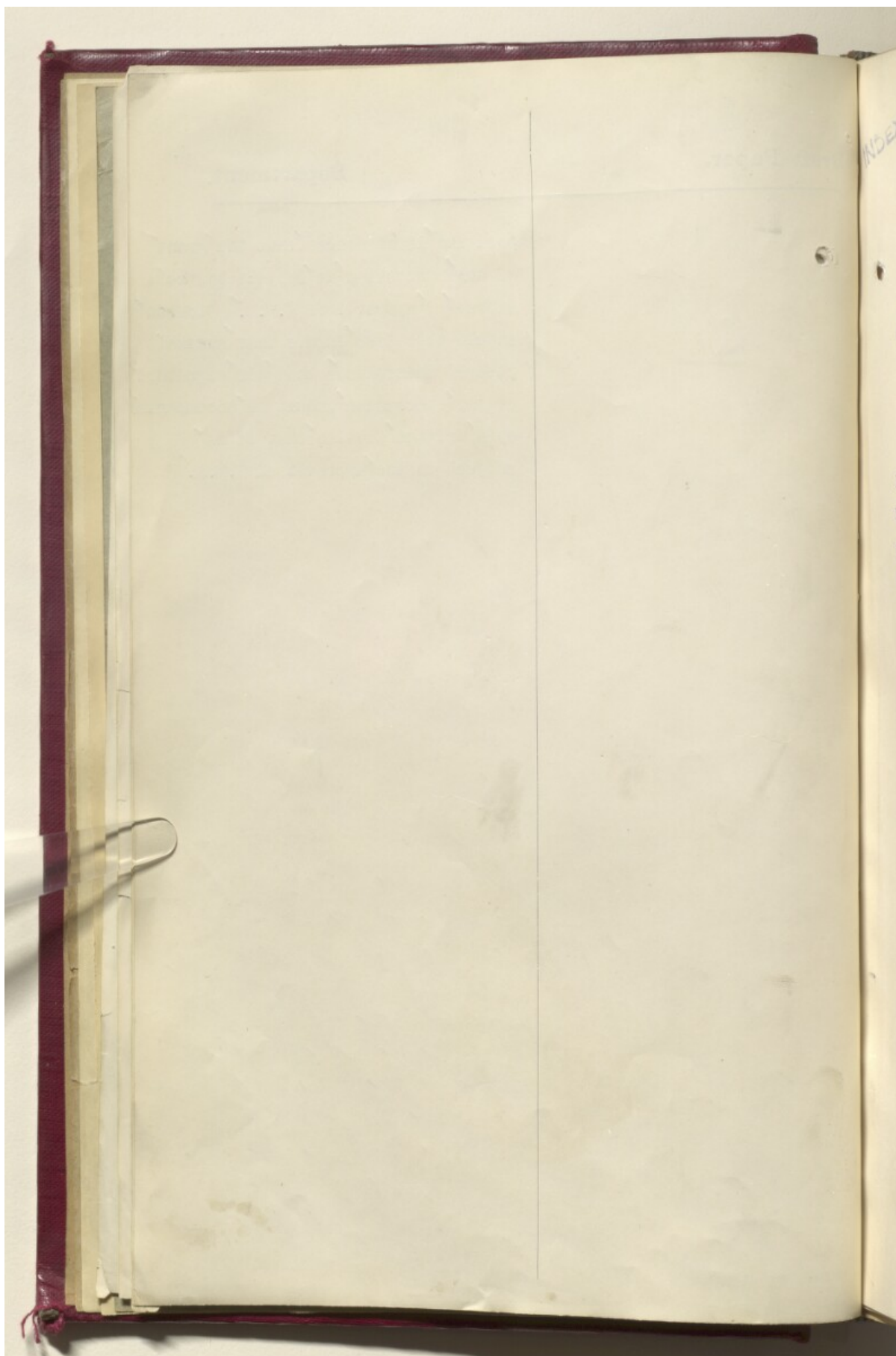
Department.

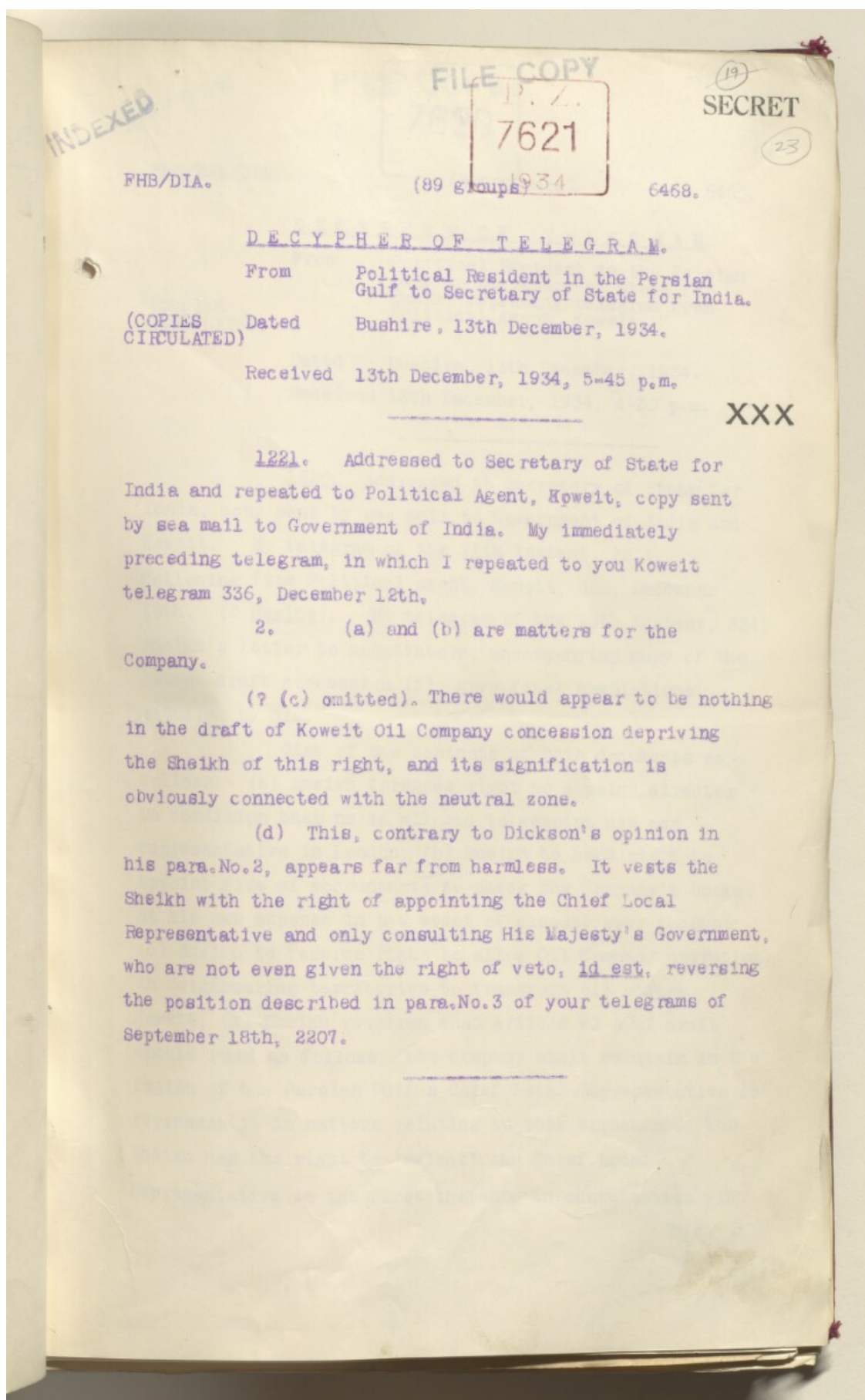
3. I understand that Company now propose to authorise negotiators to accept all "final points". They have been warned that signature by Sheikh does not necessarily involve approval of H.M.G. because we have now received official application from competitors which may need consideration and about which no statement can be made at the moment. They have undertaken to treat this information as strictly confidential. I have some reason to think that they have independent confirmation of it.

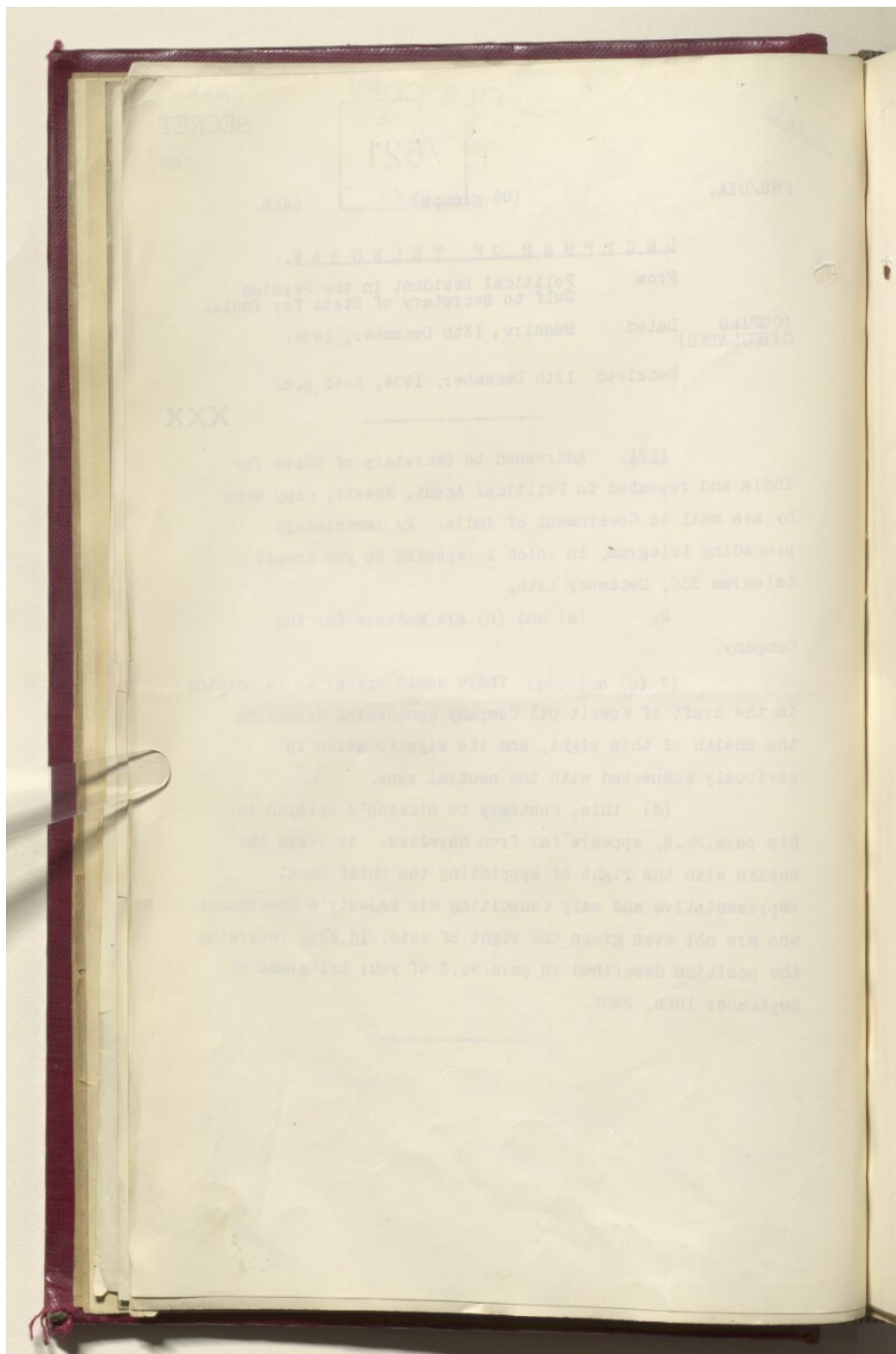
4. As the intervention of Traders Ltd. creates a situation which may require consideration it cannot now be assumed, either by the Kuwait Oil Co. or by the Sheikh, that approval of H.M.G. will necessarily follow when once they have agreed between themselves on terms of a concession, even though such agreement is signed. It is of course unnecessary for Dickson to mention hypothetical contingencies to Sheikh but it seems possible that the latter might assume from previous history of the negotiations that he has already the approval of H.M.G. to grant a concession to the Kuwait Oil Co. True position/

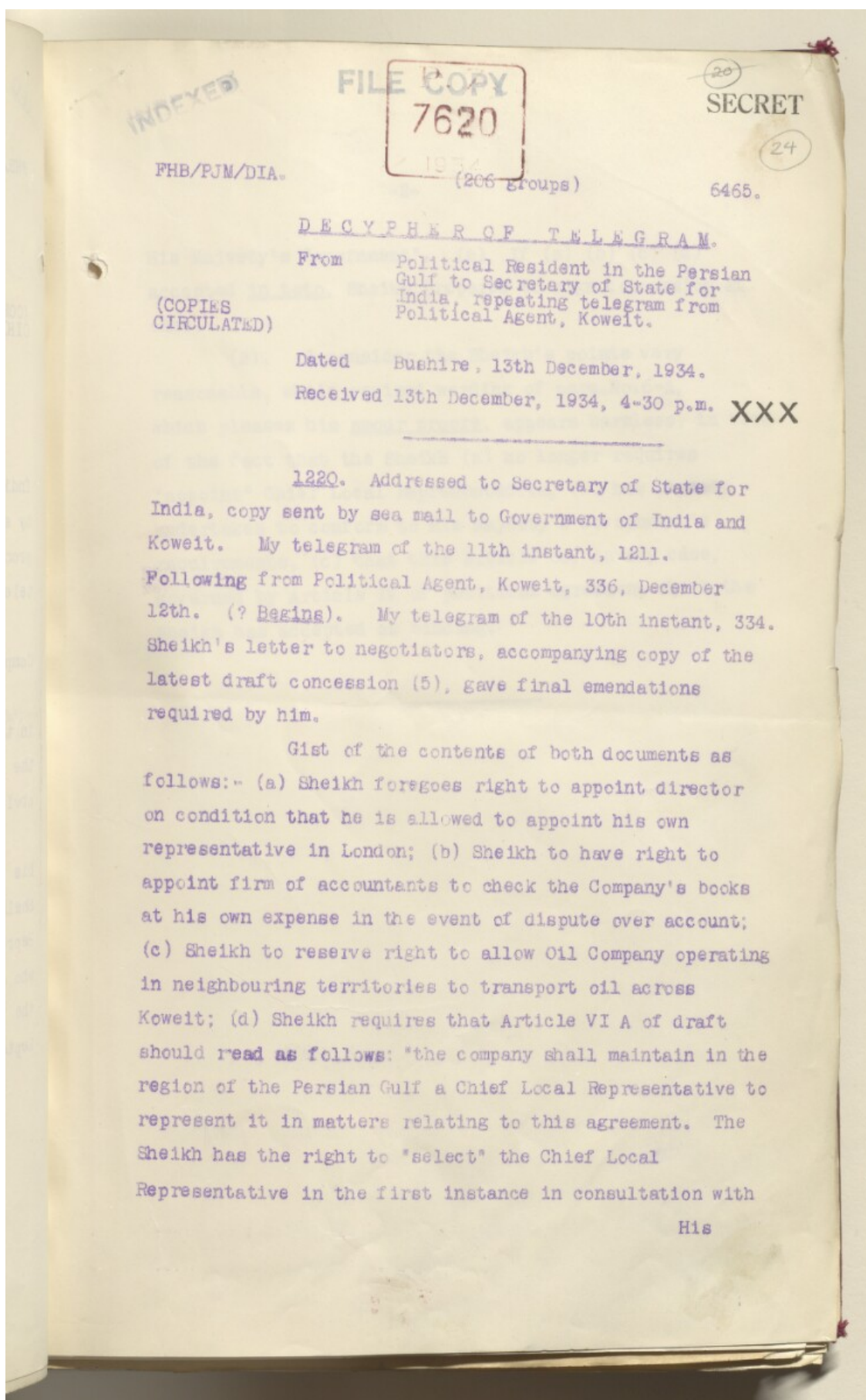


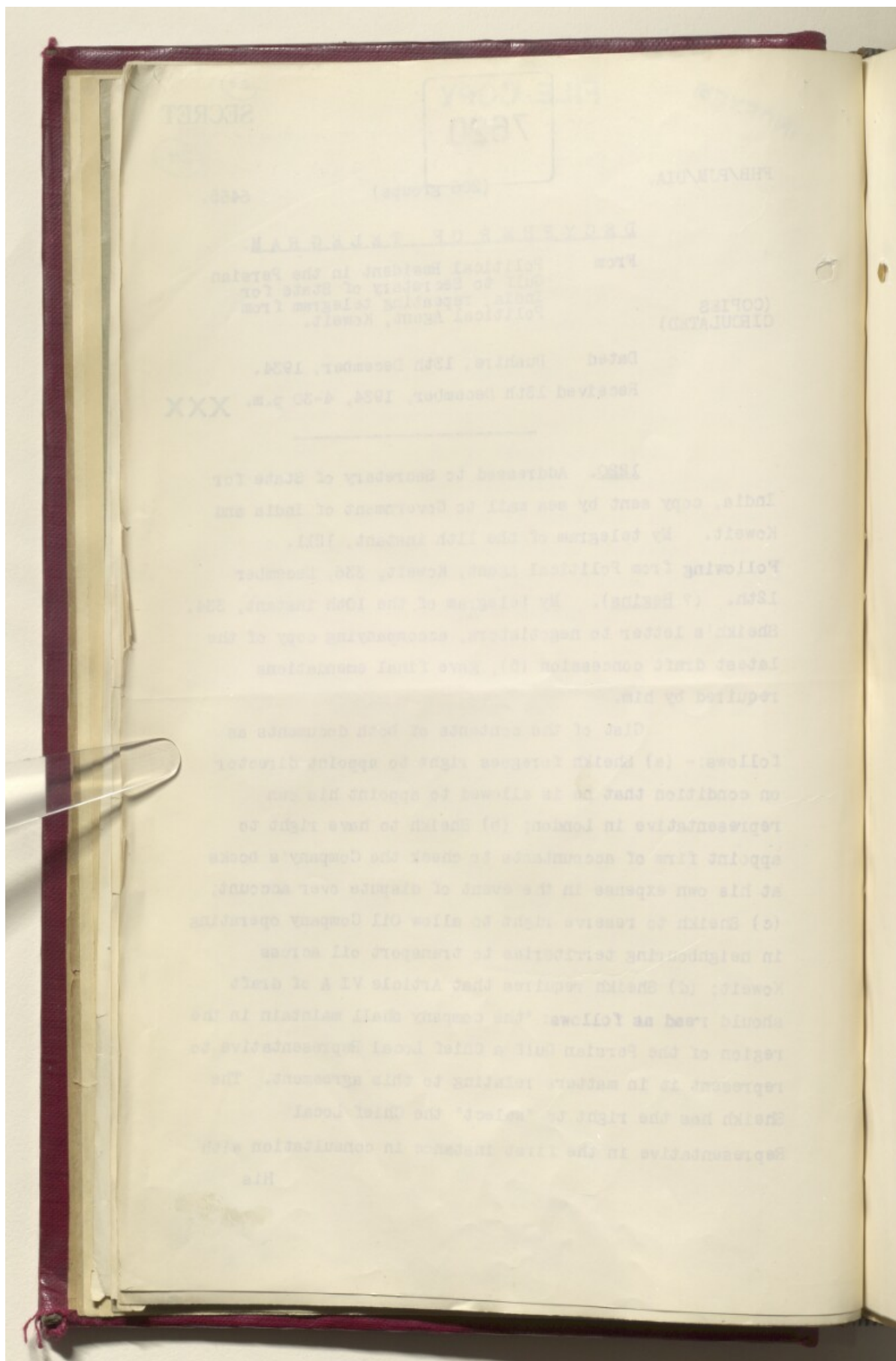










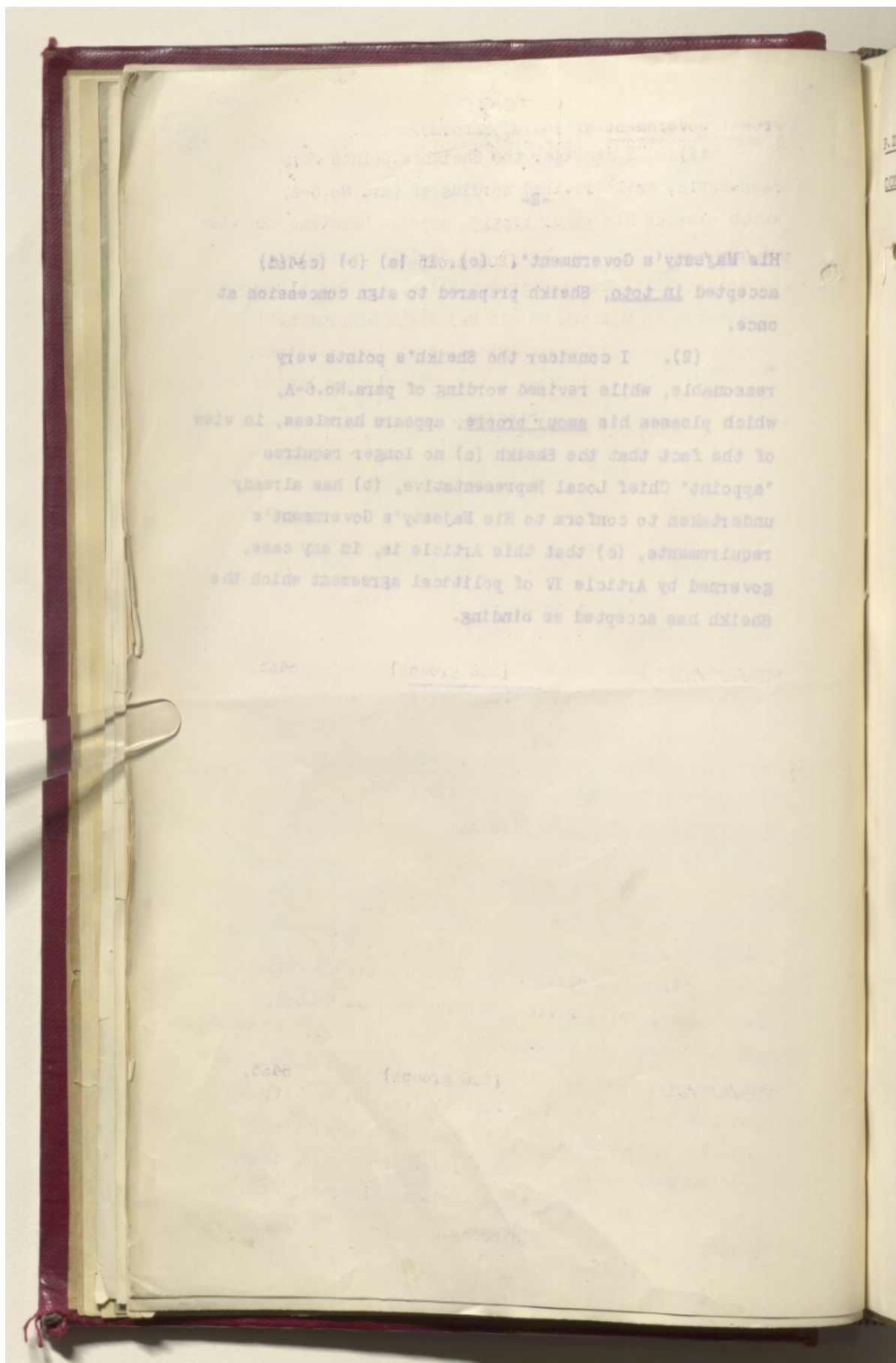


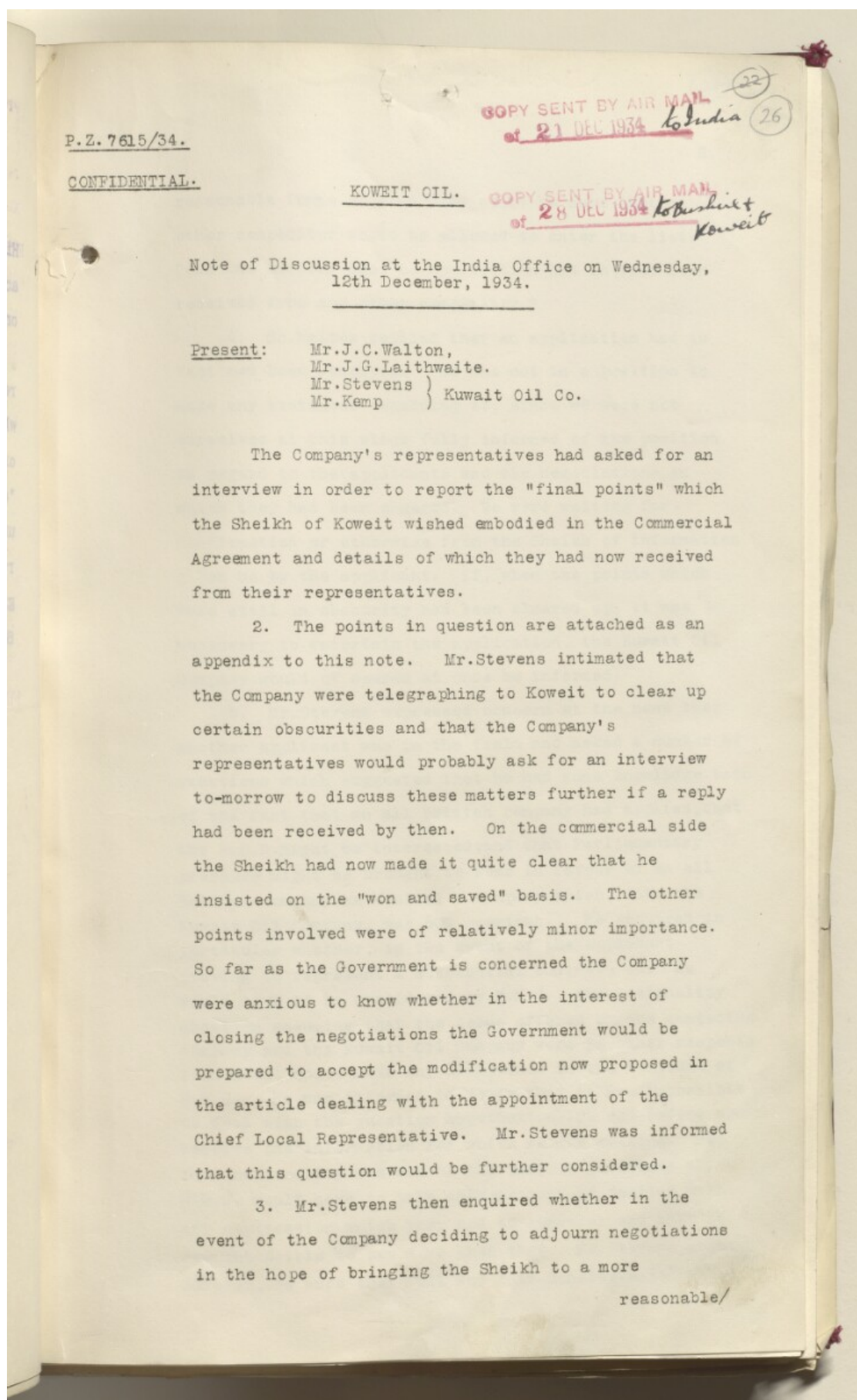


-2-

His Majesty's Government". (e) If (a) (b) (c) (d) accepted in toto, Sheikh prepared to sign concession at once.

(2). I consider the Sheikh's points very reasonable, while revised wording of para.No.6-A, which pleases his amour propre, appears harmless, in view of the fact that the Sheikh (a) no longer requires "appoint" Chief Local Representative, (b) has already undertaken to conform to His Majesty's Government's requirements, (c) that this Article is, in any case, governed by Article IV of political agreement which the Sheikh has accepted as binding.





P.Z. 7615/34.

CONFIDENTIAL.

KOWEIT OIL.

COPY SENT BY AIR MAIL
of 21 DEC 1934 to India

COPY SENT BY AIR MAIL
of 28 DEC 1934 to Bushiret
Kuwait

Note of Discussion at the India Office on Wednesday,
12th December, 1934.

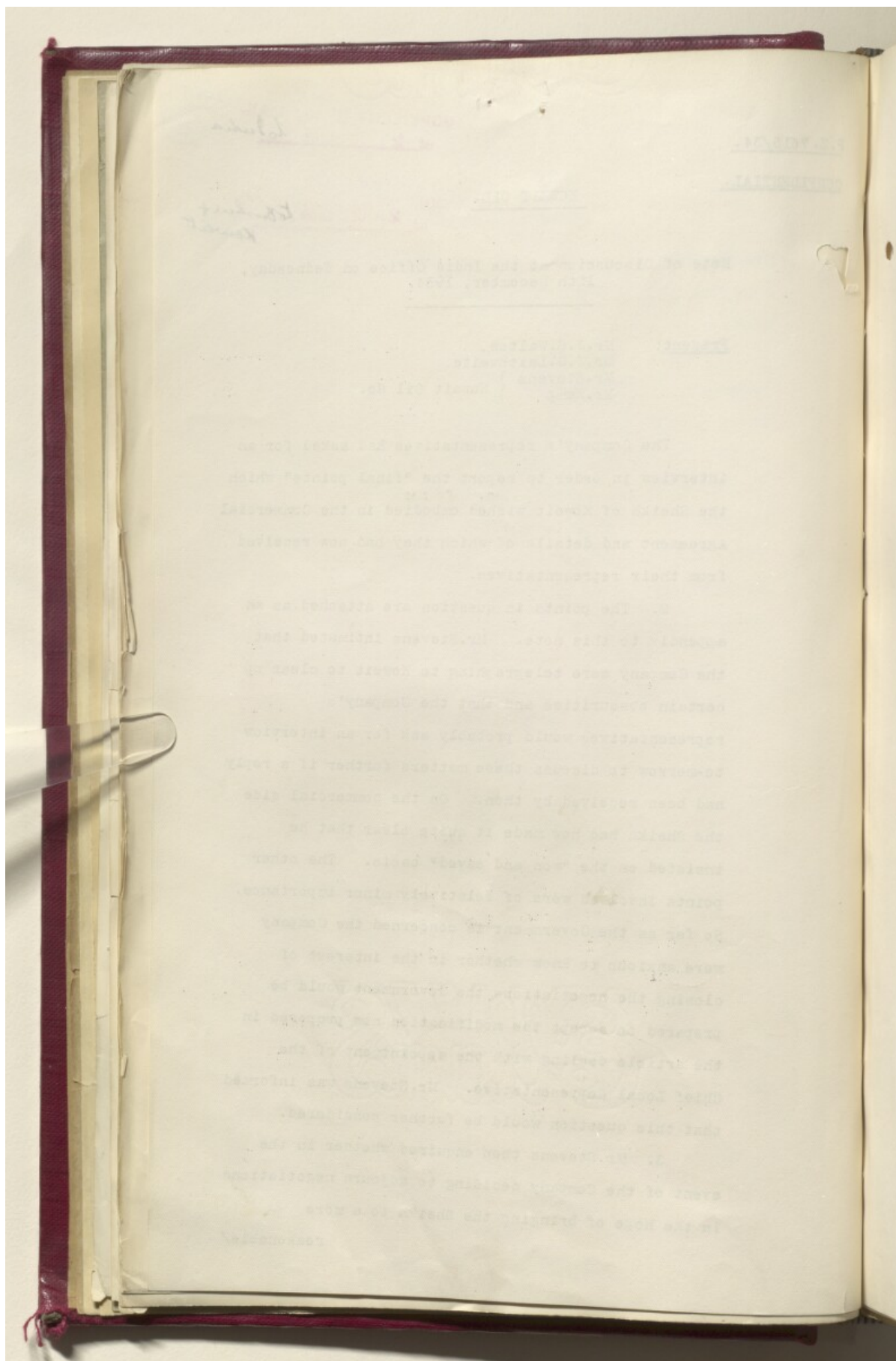
Present: Mr.J.C.Walton,
Mr.J.G.Laithwaite.
Mr.Stevens } Kuwait Oil Co.
Mr.Kemp }

The Company's representatives had asked for an interview in order to report the "final points" which the Sheikh of Koweit wished embodied in the Commercial Agreement and details of which they had now received from their representatives.

2. The points in question are attached as an appendix to this note. Mr.Stevens intimated that the Company were telegraphing to Koweit to clear up certain obscurities and that the Company's representatives would probably ask for an interview to-morrow to discuss these matters further if a reply had been received by then. On the commercial side the Sheikh had now made it quite clear that he insisted on the "won and saved" basis. The other points involved were of relatively minor importance. So far as the Government is concerned the Company were anxious to know whether in the interest of closing the negotiations the Government would be prepared to accept the modification now proposed in the article dealing with the appointment of the Chief Local Representative. Mr.Stevens was informed that this question would be further considered.

3. Mr.Stevens then enquired whether in the event of the Company deciding to adjourn negotiations in the hope of bringing the Sheikh to a more

reasonable/



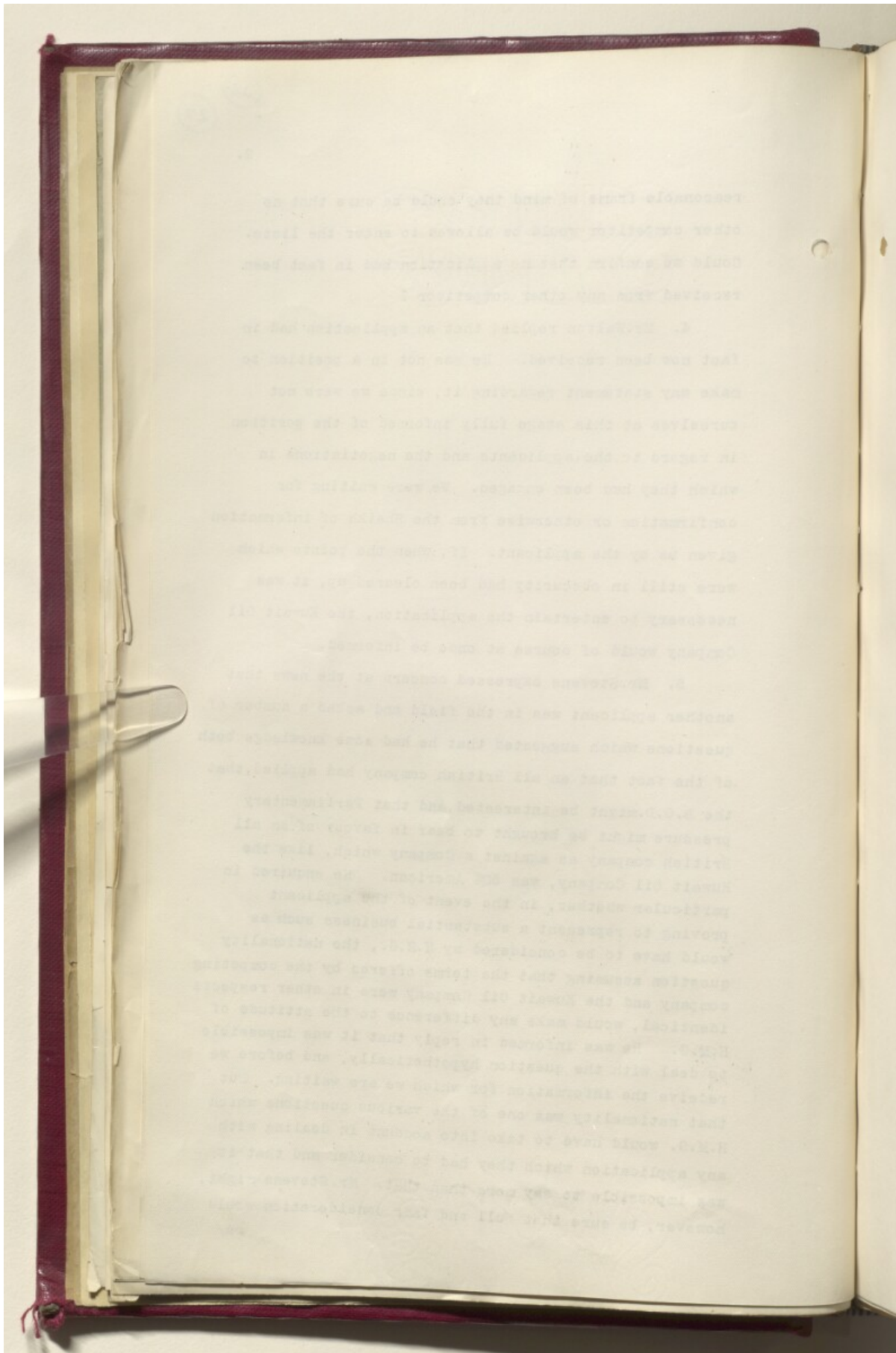


2.

reasonable frame of mind they could be sure that no other competitor would be allowed to enter the lists. Could we confirm that no application had in fact been received from any other competitor ?

4. Mr.Walton replied that an application had in fact now been received. He was not in a position to make any statement regarding it, since we were not ourselves at this stage fully informed of the position in regard to the applicants and the negotiations in which they had been engaged. We were waiting for confirmation or otherwise from the Sheikh of information given us by the applicant. If, when the points which were still in obscurity had been cleared up, it was necessary to entertain the application, the Kuwait Oil Company would of course at once be informed.

5. Mr.Stevens expressed concern at the news that another applicant was in the field and asked a number of questions which suggested that he had some knowledge both of the fact that an all British company had applied, that the B.O.D.might be interested, and that Parliamentary pressure might be brought to bear in favour of an all British company as against a Company which, like the Kuwait Oil Company, was 50% American. He enquired in particular whether, in the event of the applicant proving to represent a substantial business such as would have to be considered by H.M.G., the nationality question assuming that the terms offered by the competing company and the Kuwait Oil Company were in other respects identical, would make any difference to the attitude of H.M.G. He was informed in reply that it was impossible to deal with the question hypothetically, and before we receive the information for which we are waiting. But that nationality was one of the various questions which H.M.G. would have to take into account in dealing with any application which they had to consider and that it was impossible to say more than that. Mr.Stevens might, however, be sure that full and fair consideration would be/





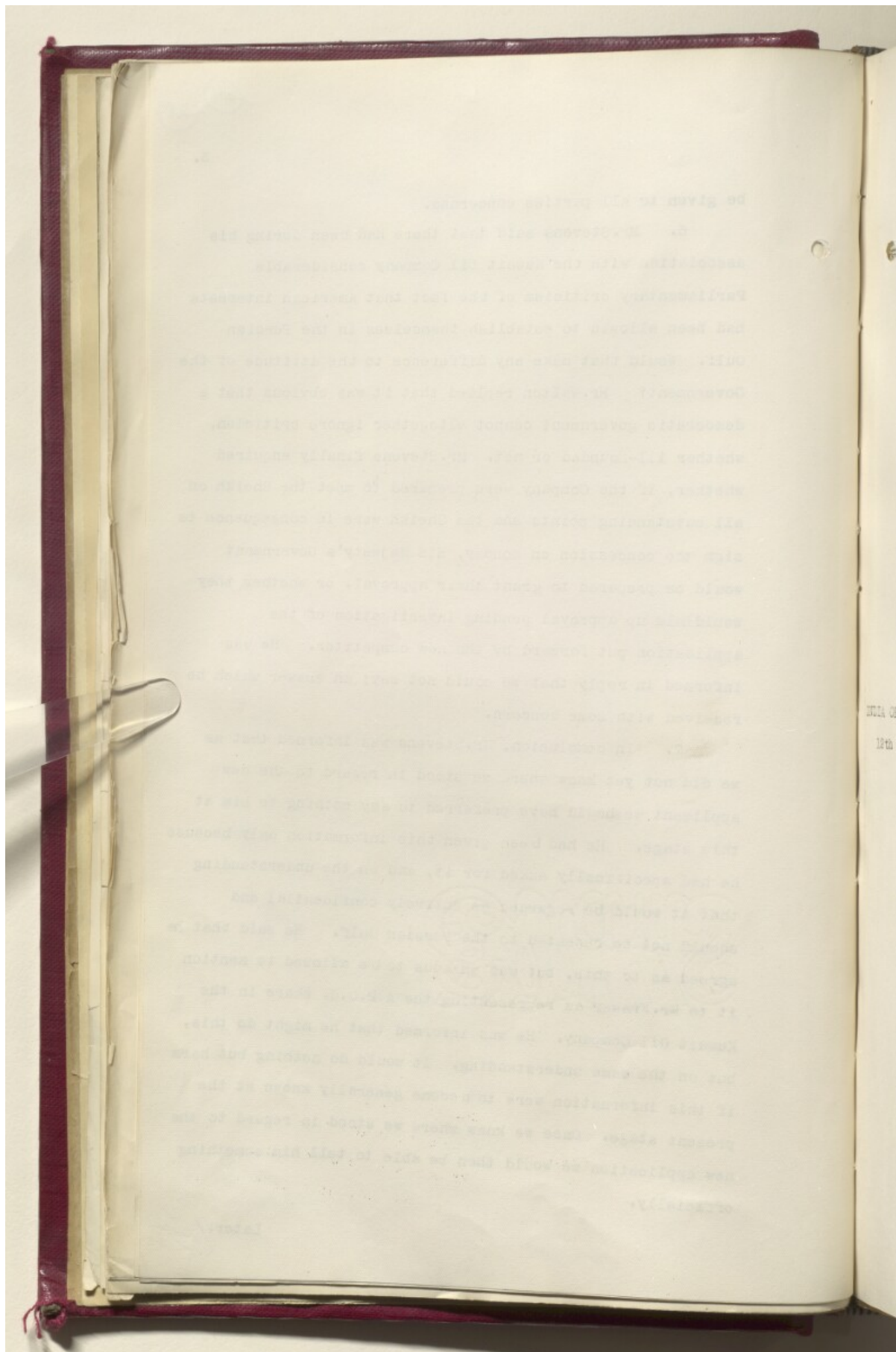
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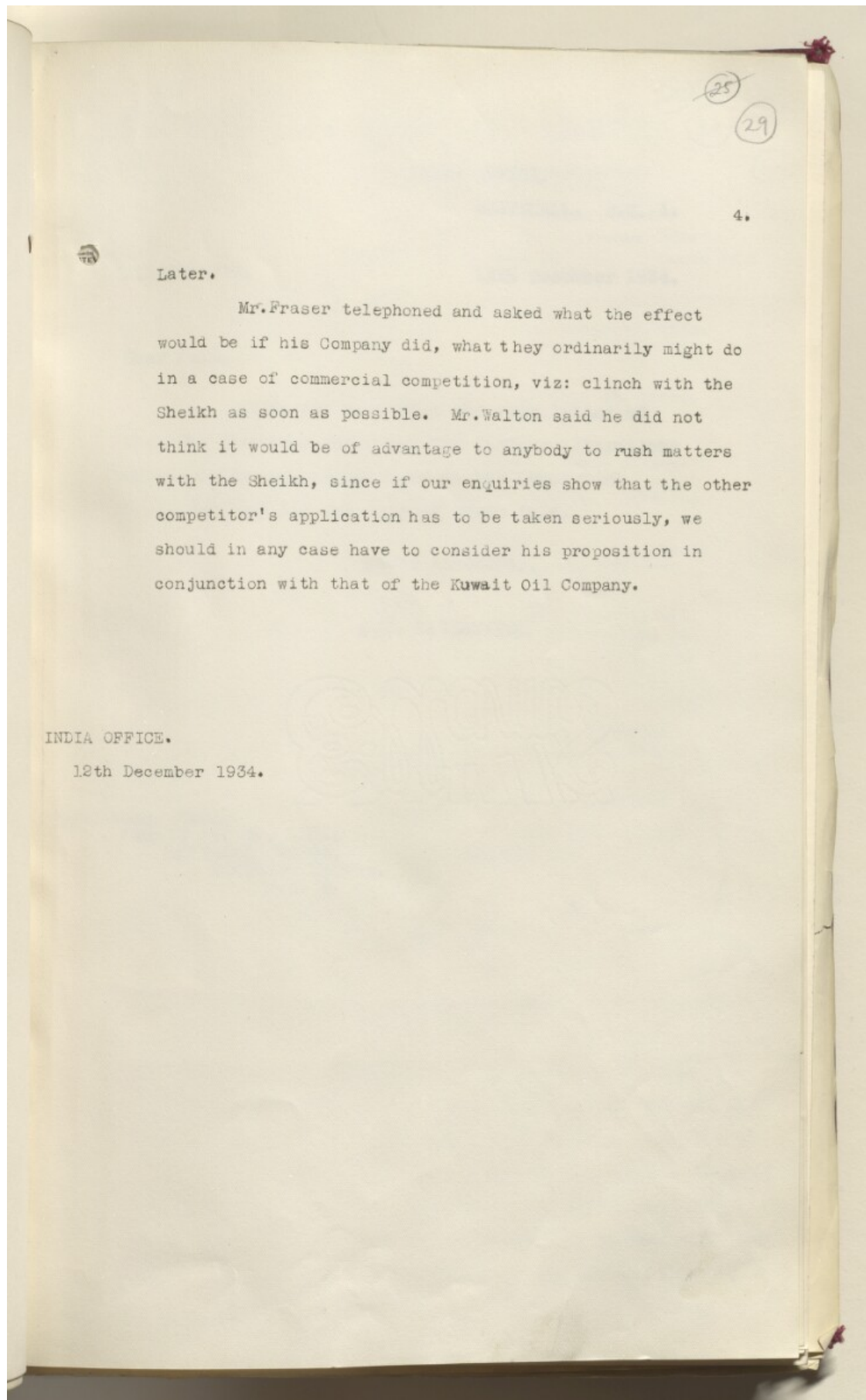
be given to all parties concerned.

6. Mr. Stevens said that there had been during his association with the Kuwait Oil Company considerable Parliamentary criticism of the fact that American interests had been allowed to establish themselves in the Persian Gulf. Would that make any difference to the attitude of the Government? Mr. Walton replied that it was obvious that a democratic government cannot altogether ignore criticism, whether ill-founded or not. Mr. Stevens finally enquired whether, if the Company were prepared to meet the Sheikh on all outstanding points and the Sheikh were in consequence to sign the concession on Monday, His Majesty's Government would be prepared to grant their approval, or whether they would hold up approval pending investigation of the application put forward by the new competitor. He was informed in reply that we could not say; an answer which he received with some concern.

7. In conclusion, Mr. Stevens was informed that as we did not yet know where we stood in regard to the new applicant we should have preferred to say nothing to him at this stage. He had been given this information only because he had specifically asked for it, and on the understanding that it would be regarded as entirely confidential and should not be repeated to the Persian Gulf. He said that he agreed as to this, but was anxious to be allowed to mention it to Mr. Fraser as representing the A.P.O.C. share in the Kuwait Oil Company. He was informed that he might do this, but on the same understanding. It would do nothing but harm if this information were to become generally known at the present stage. Once we knew where we stood in regard to the new application we would then be able to tell him something officially.

Later./



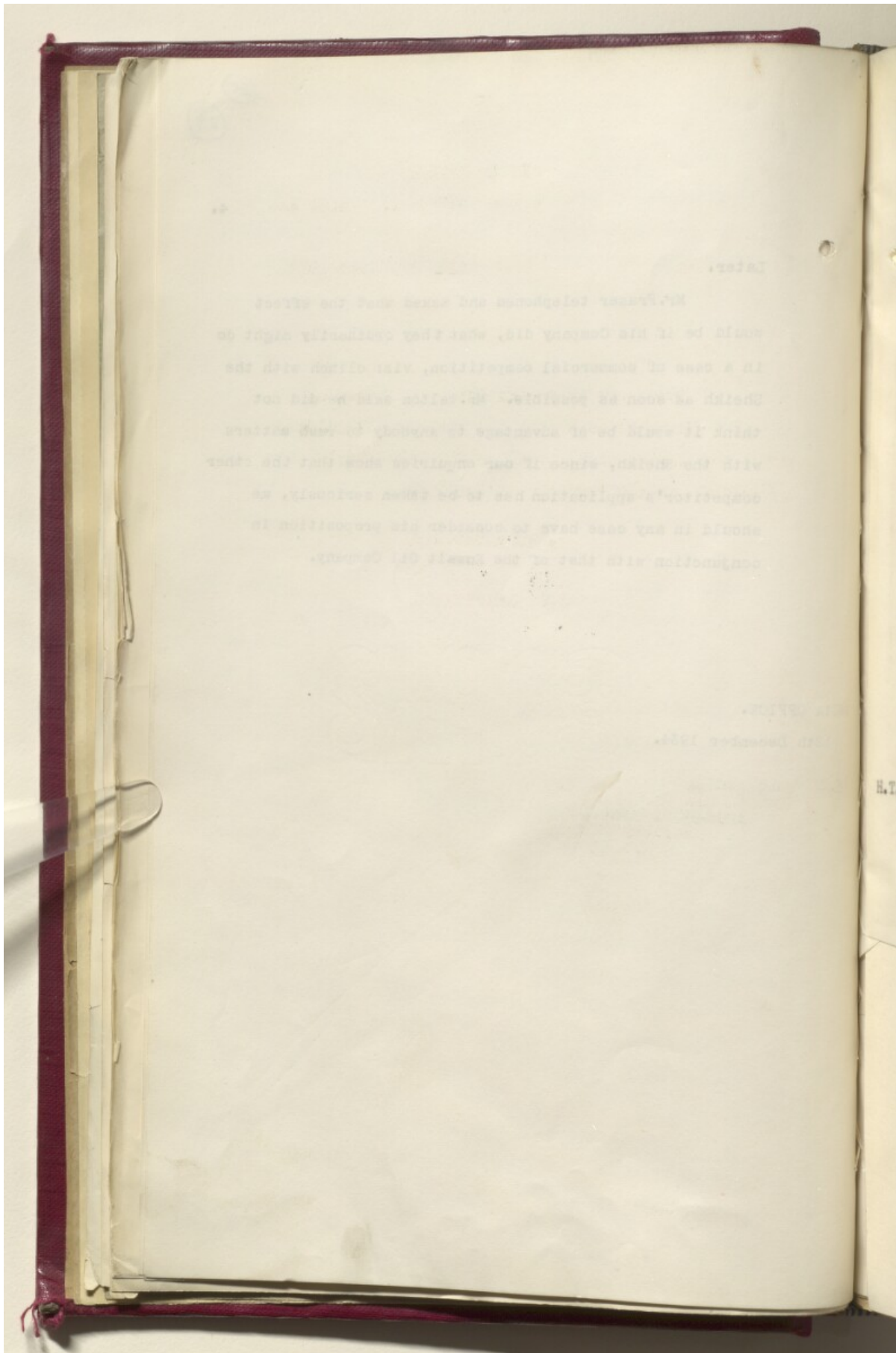


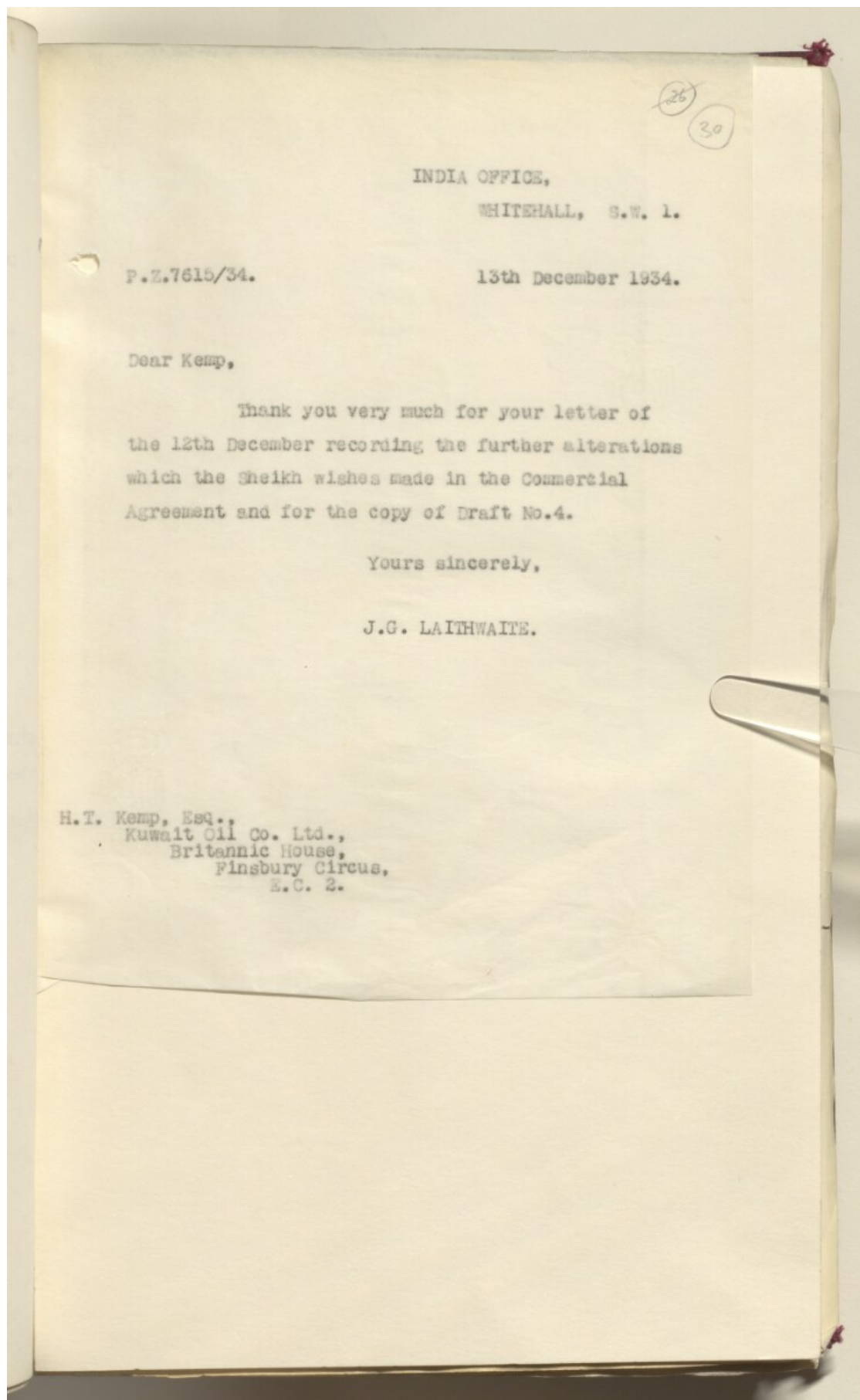
Later.

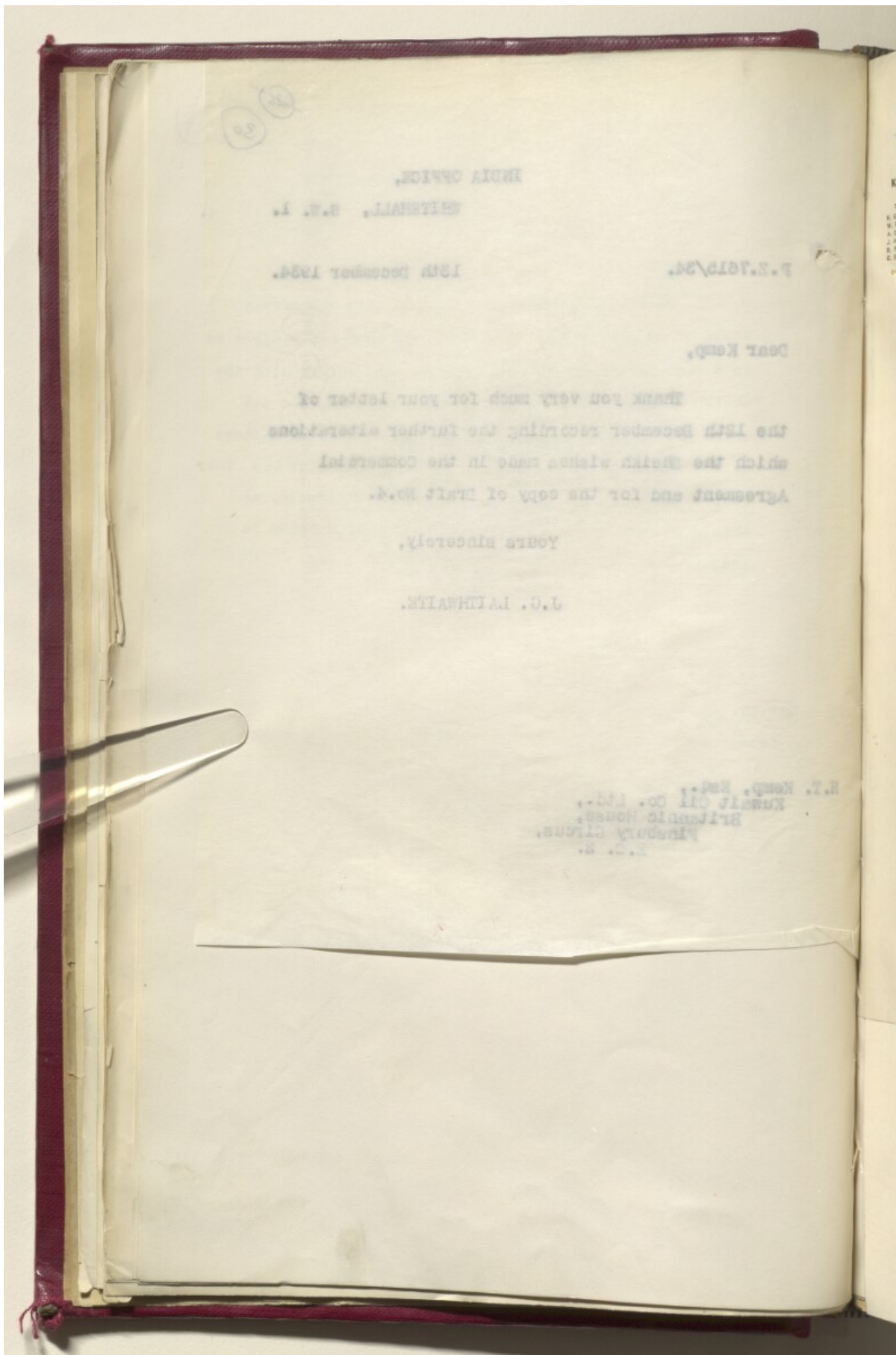
Mr. Fraser telephoned and asked what the effect would be if his Company did, what they ordinarily might do in a case of commercial competition, viz: clinch with the Sheikh as soon as possible. Mr. Walton said he did not think it would be of advantage to anybody to rush matters with the Sheikh, since if our enquiries show that the other competitor's application has to be taken seriously, we should in any case have to consider his proposition in conjunction with that of the Kuwait Oil Company.

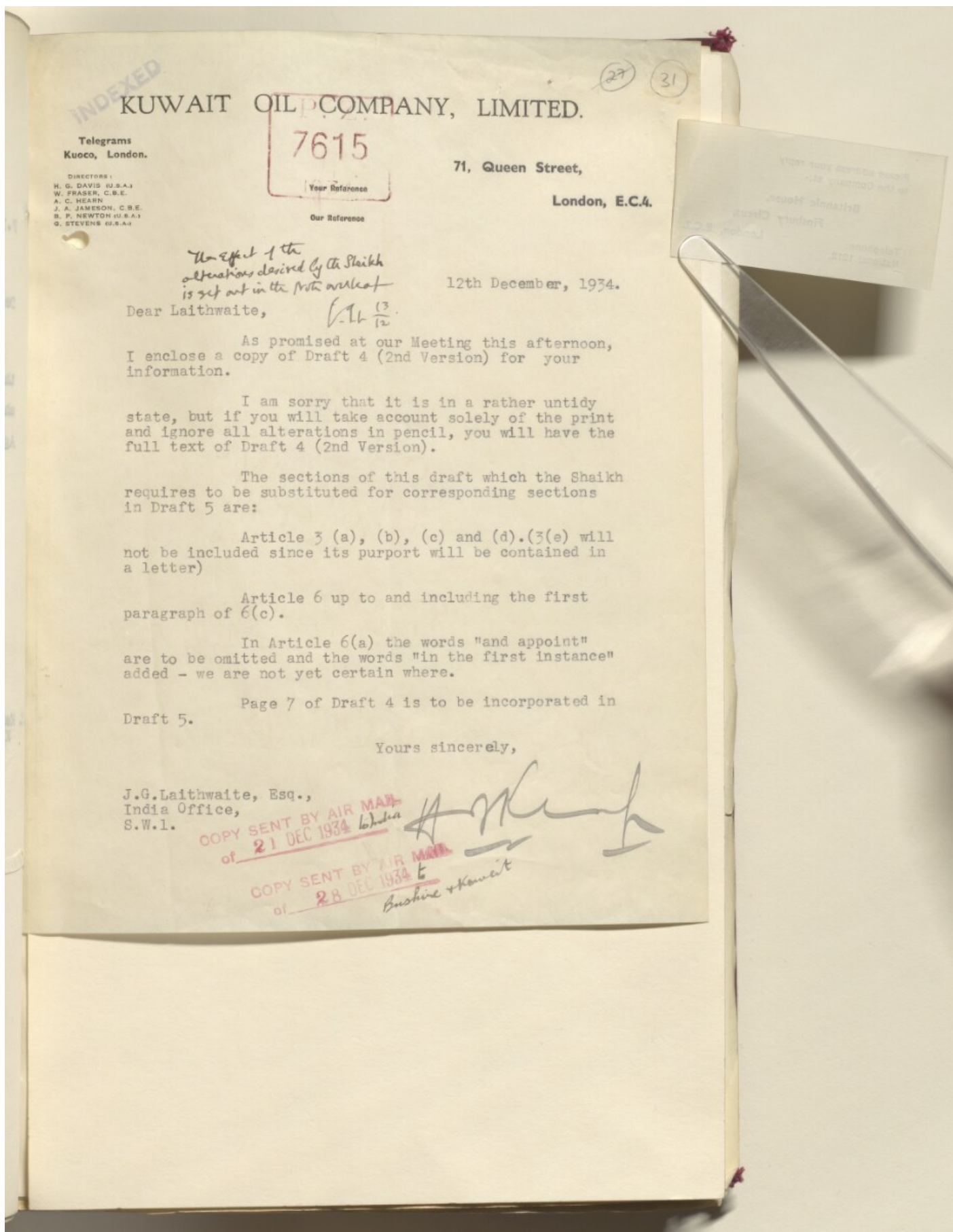
INDIA OFFICE.

12th December 1934.









INDEXED

KUWAIT OIL COMPANY, LIMITED.

Telegrams
Kuoco, London.

DIRECTORS:
H. G. DAVIS (U.S.A.)
W. FRASER, C.B.E.
A. C. HEARN
J. A. JAMESON, C.B.E.
S. P. NEWTON (U.S.A.)
G. STEVENS (U.S.A.)

7615

Your Reference

Our Reference

71, Queen Street,

London, E.C.4.

12th December, 1934.

Dear Laithwaite,

*The effect of the
alterations desired by the Shaikh
is set out in the note enclosed*

1-16 13/12

As promised at our Meeting this afternoon,
I enclose a copy of Draft 4 (2nd Version) for your
information.

I am sorry that it is in a rather untidy
state, but if you will take account solely of the print
and ignore all alterations in pencil, you will have the
full text of Draft 4 (2nd Version).

The sections of this draft which the Shaikh
requires to be substituted for corresponding sections
in Draft 5 are:

Article 3 (a), (b), (c) and (d). (3(e) will
not be included since its purport will be contained in
a letter)

Article 6 up to and including the first
paragraph of 6(c).

In Article 6(a) the words "and appoint"
are to be omitted and the words "in the first instance"
added - we are not yet certain where.

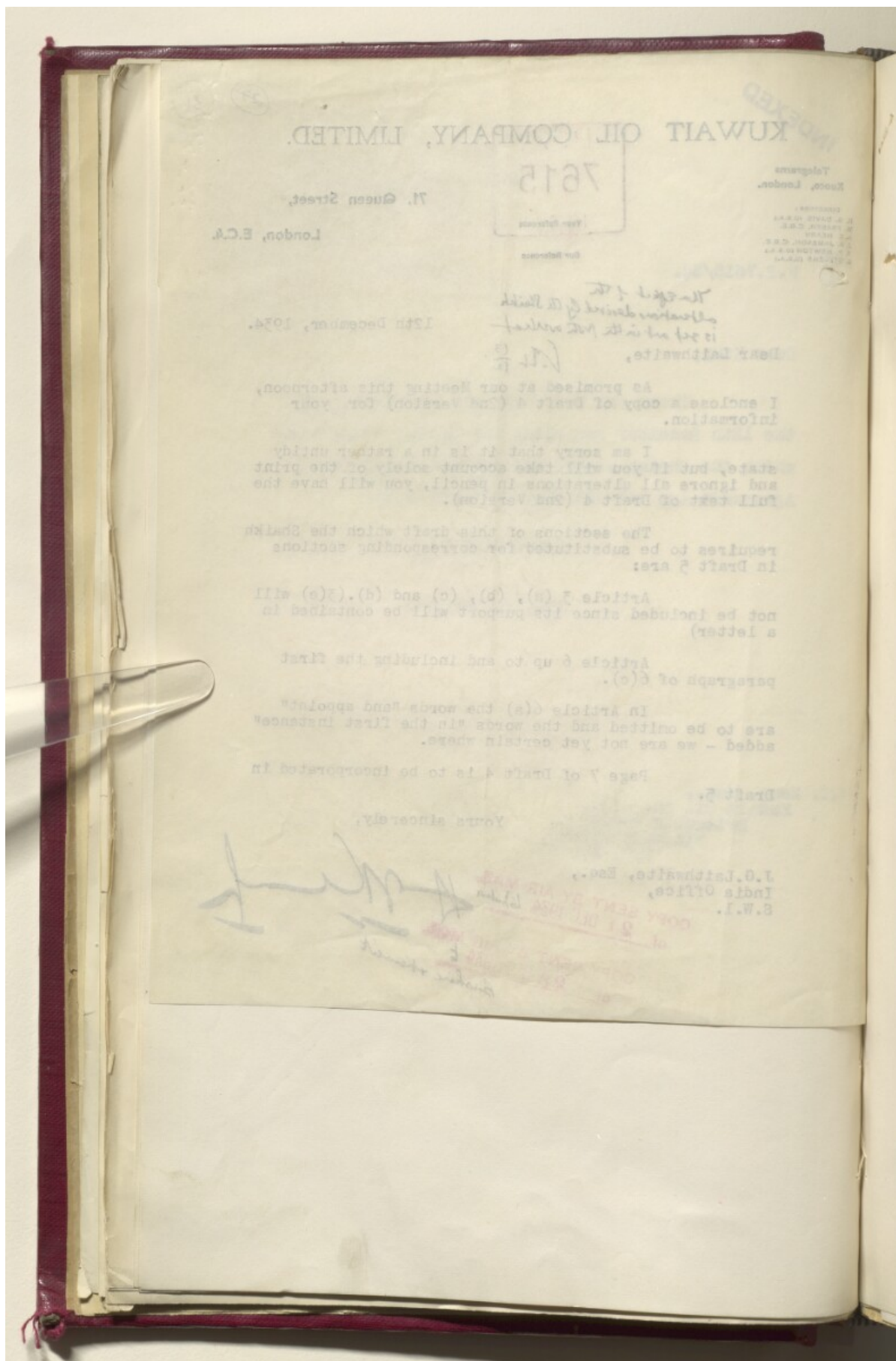
Page 7 of Draft 4 is to be incorporated in
Draft 5.

Yours sincerely,

J.G. Laithwaite, Esq.,
India Office,
S.W.1.

COPY SENT BY AIR MAIL
of 21 DEC 1934 to India

COPY SENT BY AIR MAIL
of 28 DEC 1934 to
Bahrain & Kuwait





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28
22
COPY SENT BY AIR MAIL
of 21 DEC 1934 to India

KOWEIT OIL. COPY SENT BY AIR MAIL
of 28 DEC 1934 to Bahrain +
Kuwait

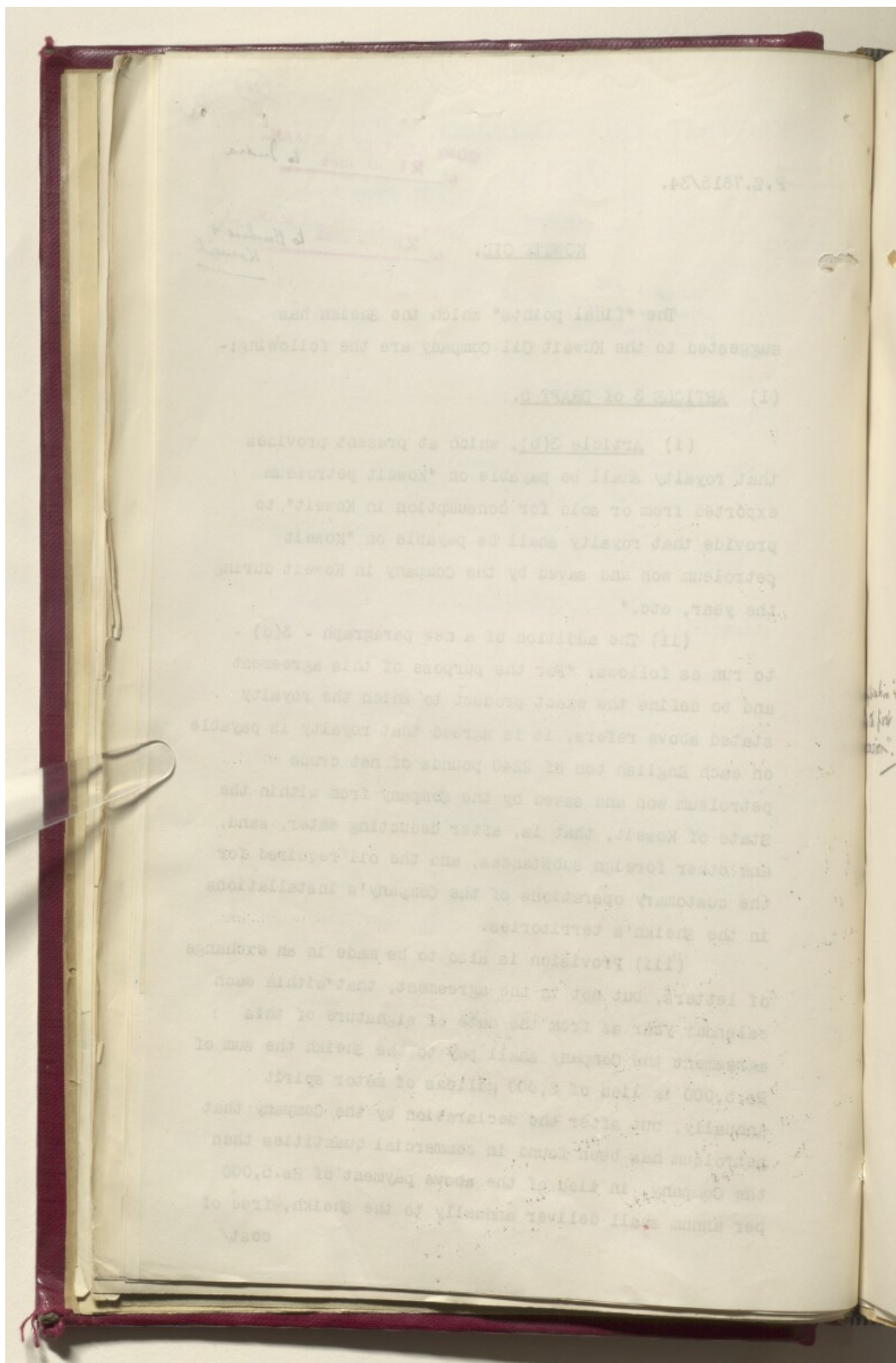
The "final points" which the Sheikh has suggested to the Kuwait Oil Company are the following:-

(1) ARTICLE 3 of DRAFT 5.

(i) Article 3(b), which at present provides that royalty shall be payable on "Koweit petroleum exported from or sold for consumption in Koweit", to provide that royalty shall be payable on "Koweit petroleum won and saved by the Company in Koweit during the year, etc."

(ii) The addition of a new paragraph - 3(d) - to run as follows: "For the purpose of this agreement and to define the exact product to which the royalty stated above refers, it is agreed that royalty is payable on each English ton of 2240 pounds of net crude petroleum won and saved by the Company from within the State of Koweit, that is, after deducting water, sand, and other foreign substances, and the oil required for the customary operations of the Company's installations in the Sheikh's territories."

(iii) Provision is also to be made in an exchange of letters, but not in the agreement, that "within each calendar year as from the date of signature of this agreement the Company shall pay to the Sheikh the sum of Rs.5,000 in lieu of 5,000 gallons of motor spirit annually, but after the declaration by the Company that petroleum has been found in commercial quantities then the Company, in lieu of the above payment of Rs.5,000 per annum shall deliver annually to the Sheikh, free of cost/





- 2 -

cost, in Koweit, as and when requested by the Sheikh, 10,000 English gallons of petrol of which not more than 5,000 gallons may be aviation spirit."

(2) ARTICLE 6.

(i) For Article 6(a) in draft 5, which at present runs: "The Company shall from time to time designate its General Manager or one of its other principal employees in Koweit as its Chief Local Representative to represent it in matters relating to this agreement with the Sheikh", substitute:

"The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this agreement with the Sheikh.

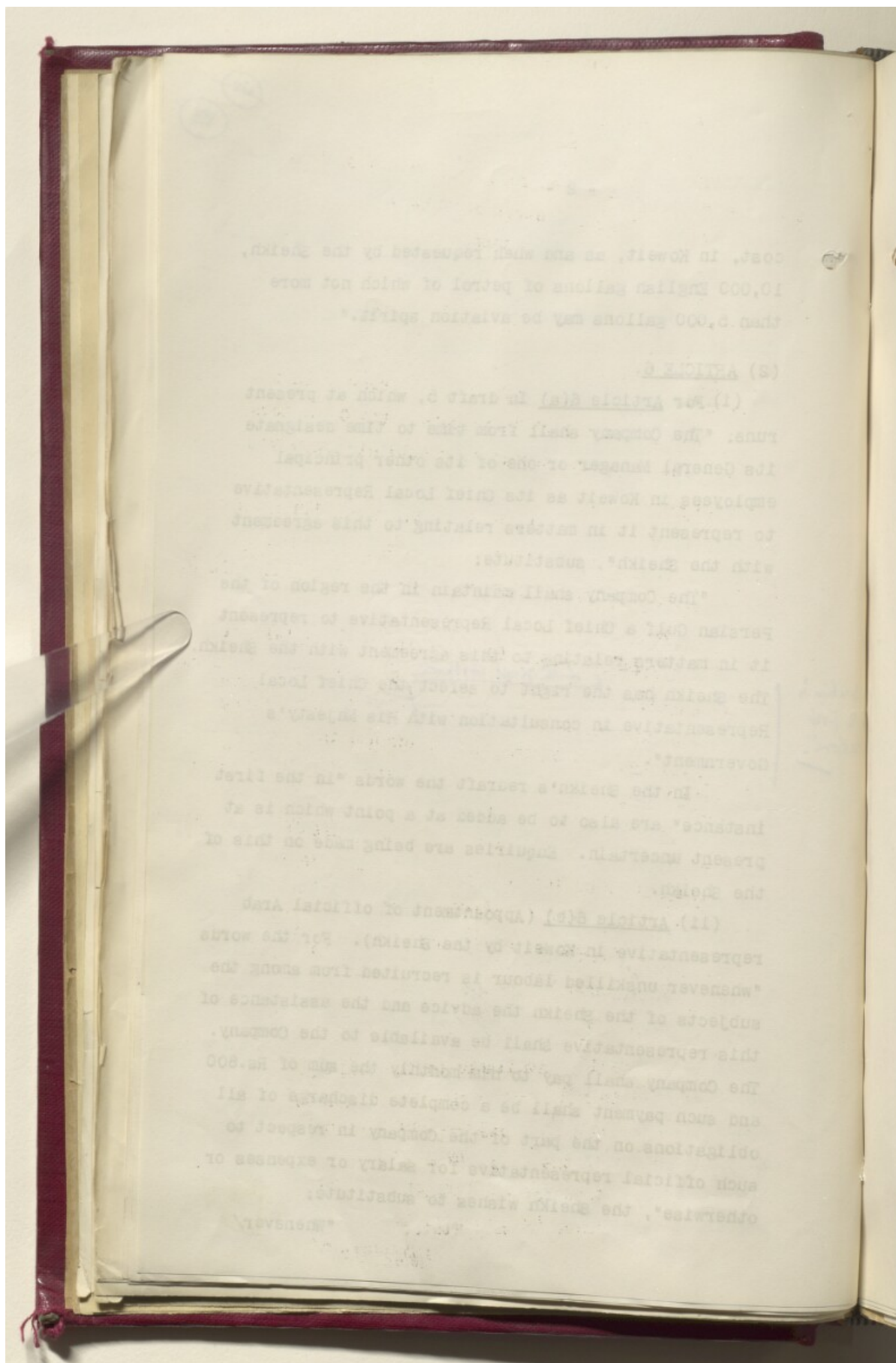
*the first
occasion*

The Sheikh has the right to select ^{in the first instance} the Chief Local Representative in consultation with His Majesty's Government".

In the Sheikh's redraft the words "in the first instance" are also to be added at a point which is at present uncertain. Enquiries are being made on this of the Sheikh.

(ii) Article 6(b) (Appointment of official Arab representative in Koweit by the Sheikh). For the words "whenever unskilled labour is recruited from among the subjects of the Sheikh the advice and the assistance of this representative shall be available to the Company. The Company shall pay to him monthly the sum of Rs.800 and such payment shall be a complete discharge of all obligations on the part of the Company in respect to such official representative for salary or expenses or otherwise", the Sheikh wishes to substitute:

"Whenever/





- 3 -

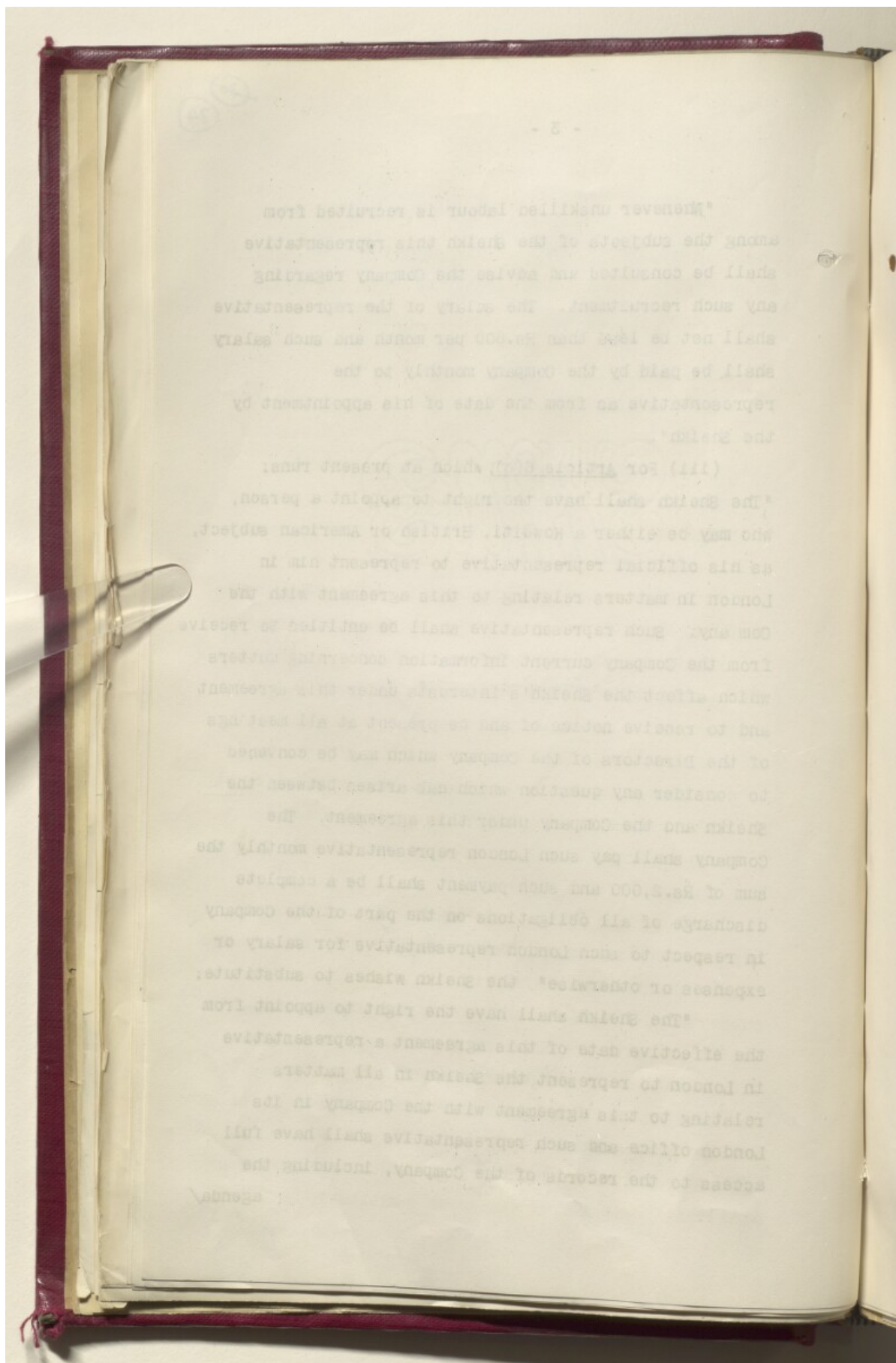
"Whenever unskilled labour is recruited from among the subjects of the Sheikh this representative shall be consulted and advise the Company regarding any such recruitment. The salary of the representative shall not be less than Rs.800 per month and such salary shall be paid by the Company monthly to the representative as from the date of his appointment by the Sheikh".

(iii) For Article 6(c), which at present runs:

"The Sheikh shall have the right to appoint a person, who may be either a Koweiti, British or American subject, as his official representative to represent him in London in matters relating to this agreement with the Company. Such representative shall be entitled to receive from the Company current information concerning matters which affect the Sheikh's interests under this agreement and to receive notice of and be present at all meetings of the Directors of the Company which may be convened to consider any question which has arisen between the Sheikh and the Company under this agreement. The Company shall pay such London representative monthly the sum of Rs.2,000 and such payment shall be a complete discharge of all obligations on the part of the Company in respect to such London representative for salary or expenses or otherwise". the Sheikh wishes to substitute:

"The Sheikh shall have the right to appoint from the effective date of this agreement a representative in London to represent the Sheikh in all matters relating to this agreement with the Company in its London office and such representative shall have full access to the records of the Company, including the

agenda/





- 4 -

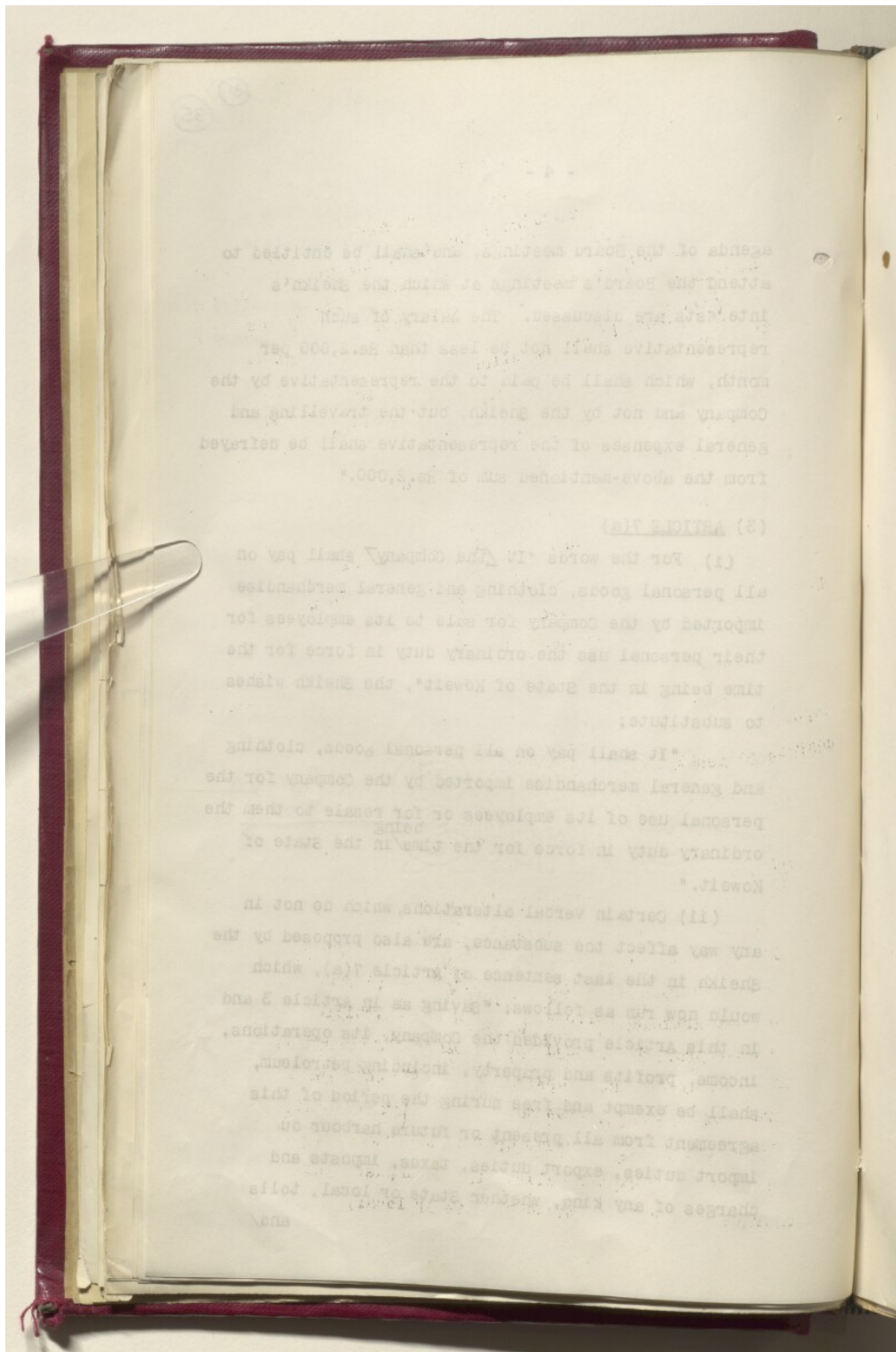
agenda of the Board meetings, and shall be entitled to attend the Board's meetings at which the Sheikh's interests are discussed. The salary of such representative shall not be less than Rs.2,000 per month, which shall be paid to the representative by the Company and not by the Sheikh, but the travelling and general expenses of the representative shall be defrayed from the above-mentioned sum of Rs.2,000."

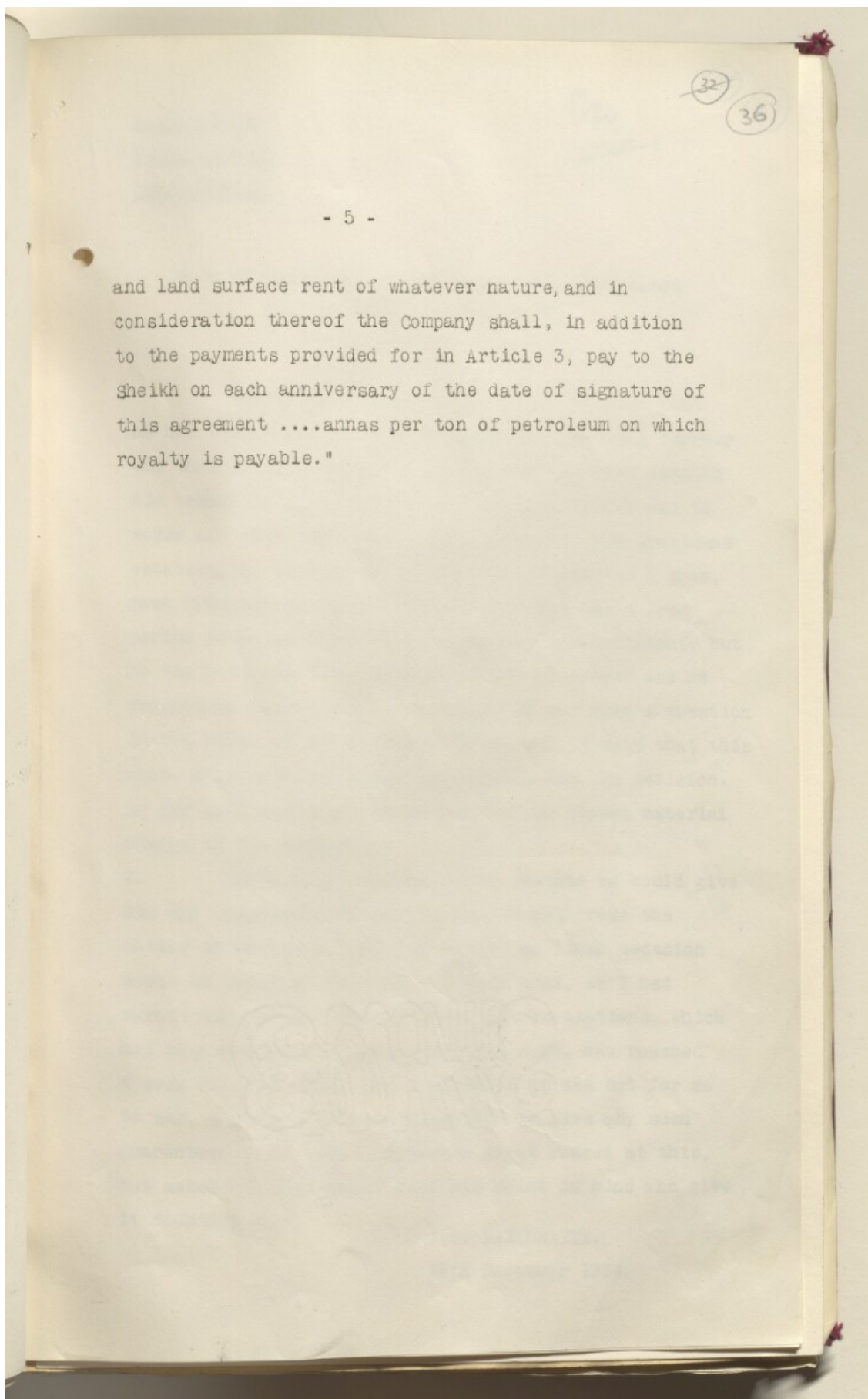
(3) ARTICLE 7(a)

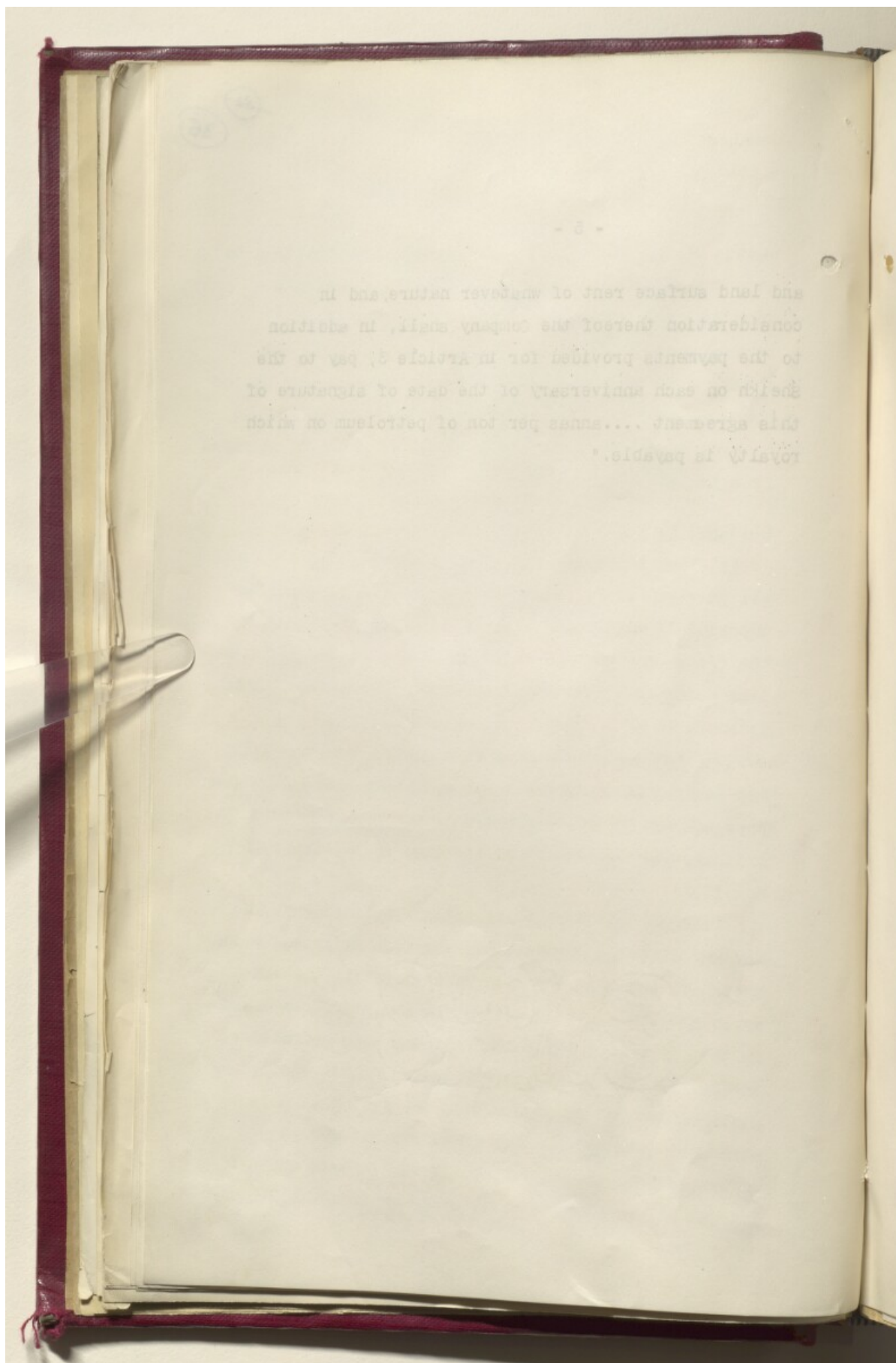
(i) For the words "It ~~The Company~~ shall pay on all personal goods, clothing and general merchandise imported by the Company for sale to its employees for their personal use the ordinary duty in force for the time being in the State of Koweit", the Sheikh wishes to substitute;

"It shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them the ordinary duty in force for the time ^{being} in the State of Koweit."

(ii) Certain verbal alterations, which do not in any way affect the substance, are also proposed by the Sheikh in the last sentence of Article 7(a), which would now run as follows: "Saving as in Article 3 and in this Article provided the Company, its operations, income, profits and property, including petroleum, shall be exempt and free during the period of this agreement from all present or future harbour du... import duties, export duties, taxes, imposts and charges of any kind, whether State or local, tolls and/









P.Z.7591/34.

INDIA OFFICE.

CONFIDENTIAL.

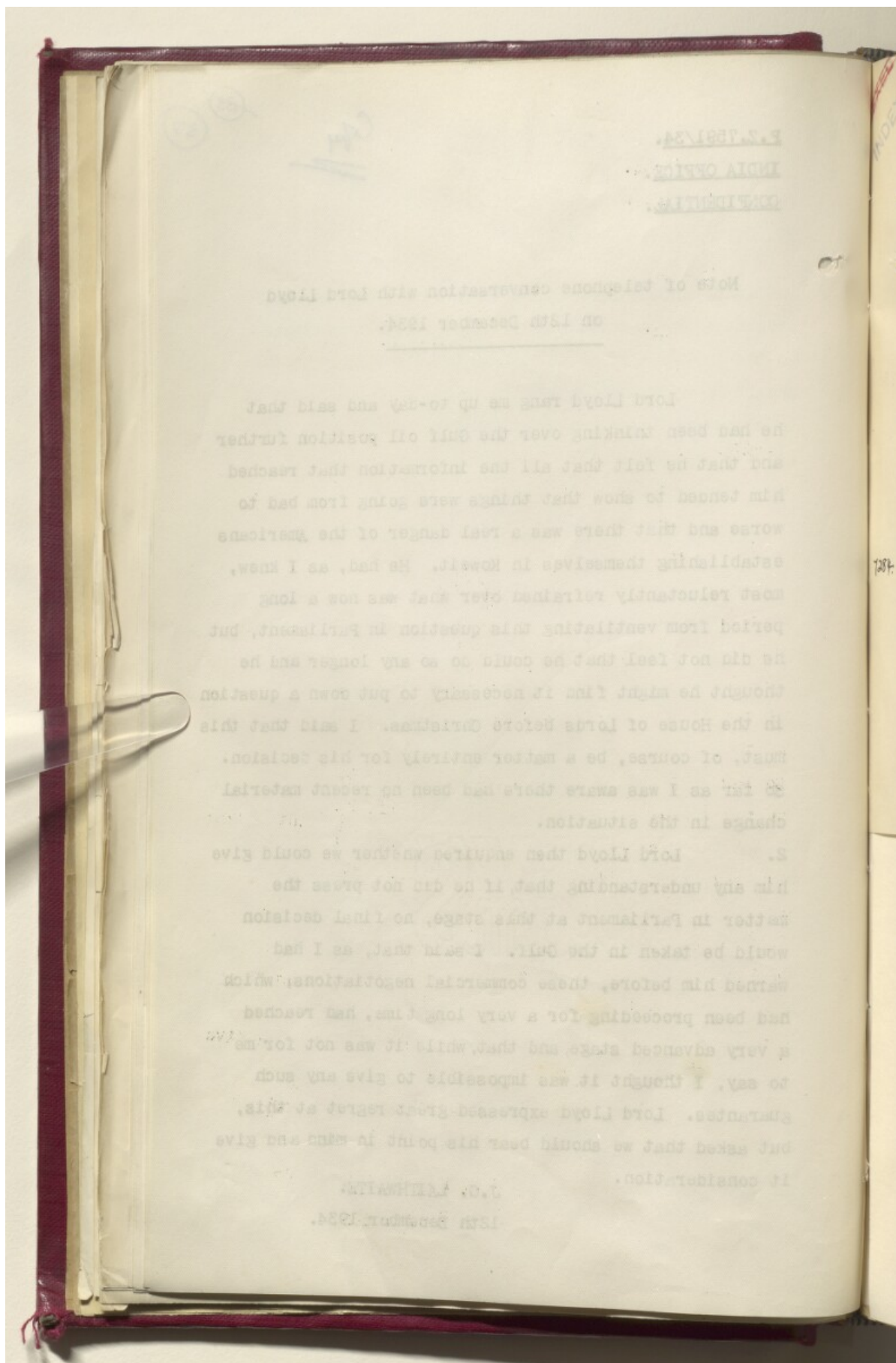
Note of telephone conversation with Lord Lloyd
on 12th December 1934.

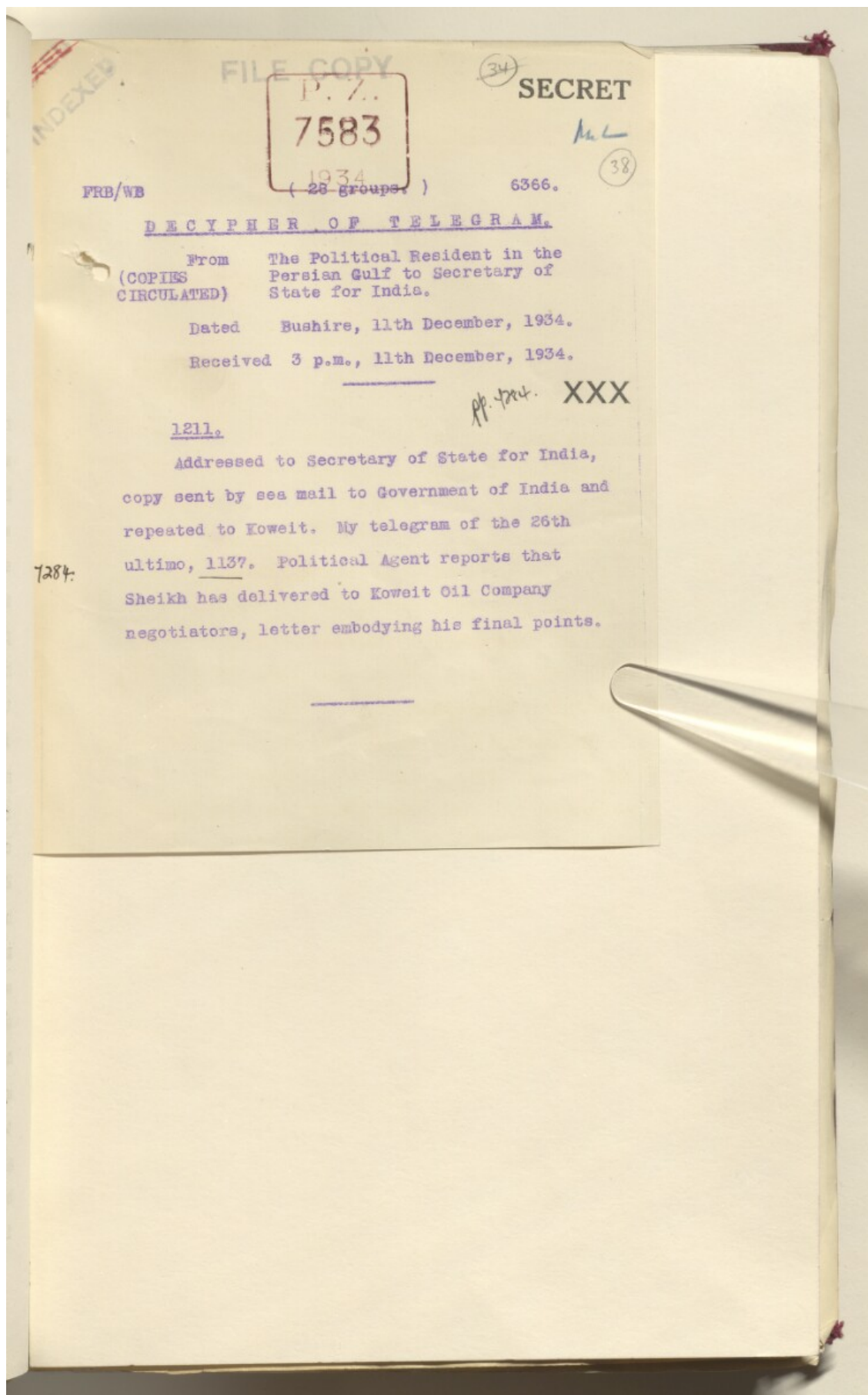
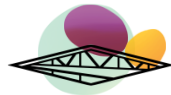
Lord Lloyd rang me up to-day and said that he had been thinking over the Gulf oil position further and that he felt that all the information that reached him tended to show that things were going from bad to worse and that there was a real danger of the Americans establishing themselves in Koweit. He had, as I knew, most reluctantly refrained over what was now a long period from ventilating this question in Parliament, but he did not feel that he could do so any longer and he thought he might find it necessary to put down a question in the House of Lords before Christmas. I said that this must, of course, be a matter entirely for his decision. So far as I was aware there had been no recent material change in the situation.

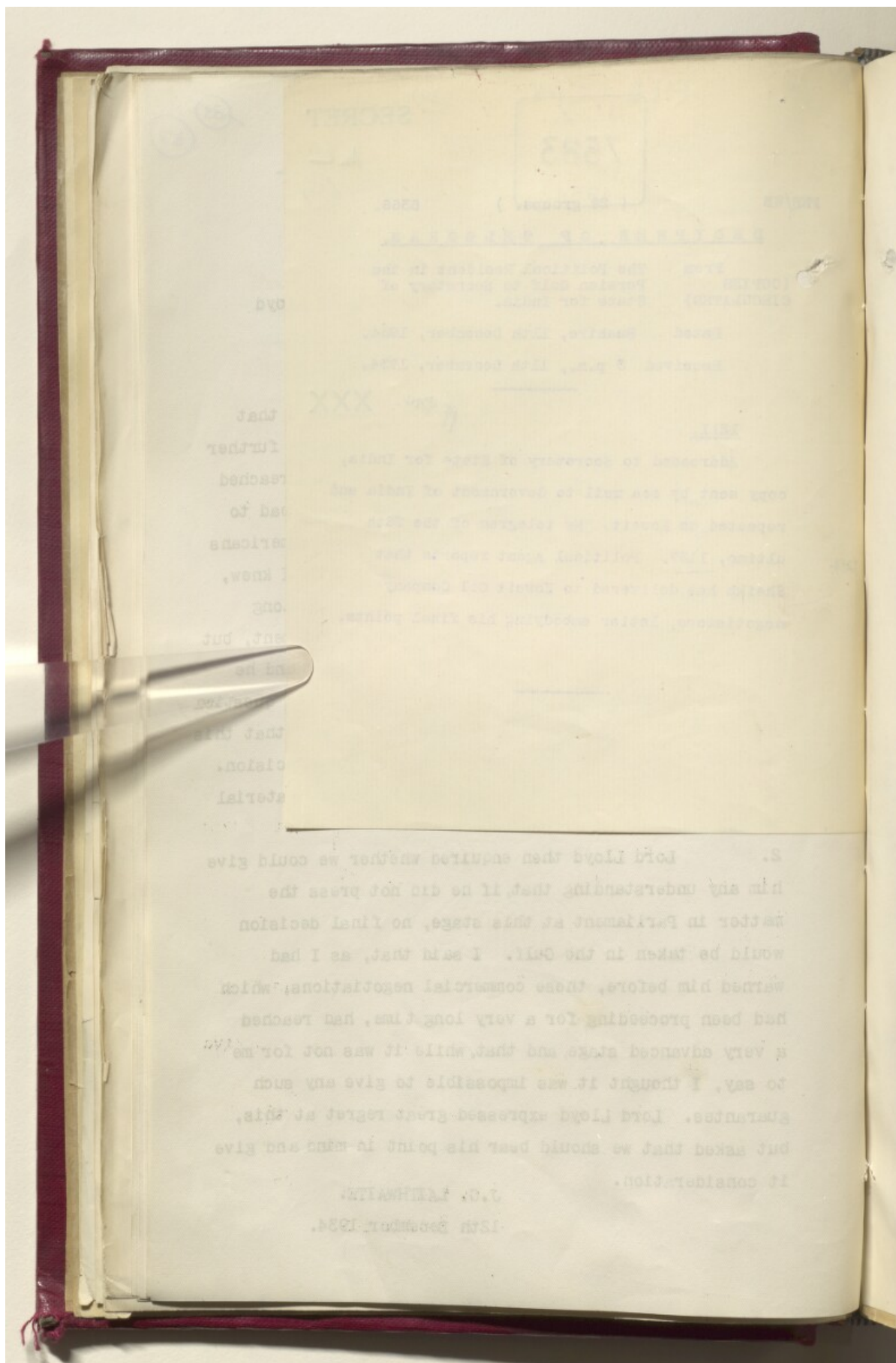
2. Lord Lloyd then enquired whether we could give him any understanding that, if he did not press the matter in Parliament at this stage, no final decision would be taken in the Gulf. I said that, as I had warned him before, these commercial negotiations, which had been proceeding for a very long time, had reached a very advanced stage, and that, while it was not for me to say, I thought it was impossible to give any such guarantee. Lord Lloyd expressed great regret at this, but asked that we should bear his point in mind and give it consideration.

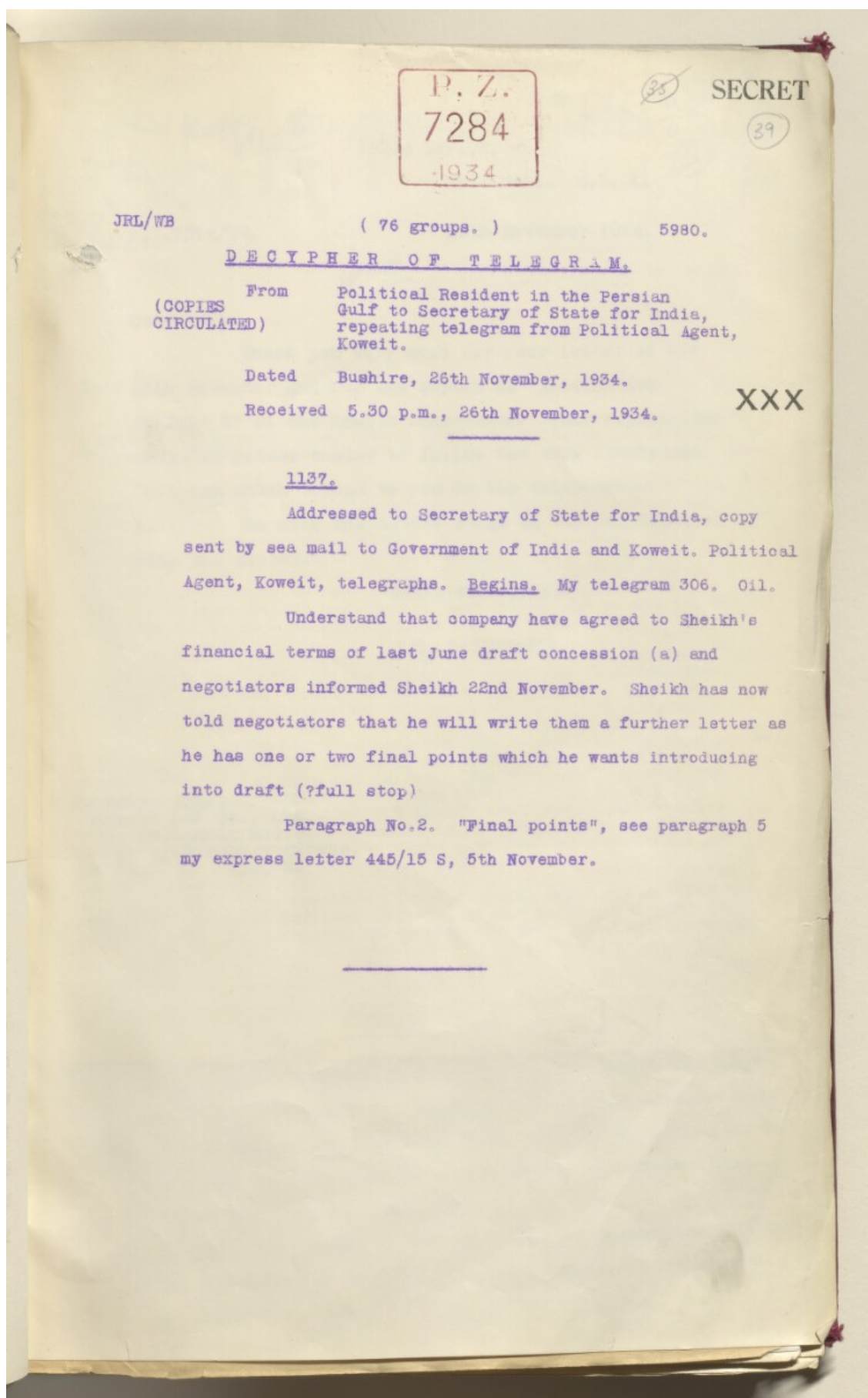
J.G. LATHWAITE.

12th December 1934.









JRL/WB

(76 groups.)

5980.

DECYPHER OF TELEGRAM.

From Political Resident in the Persian
(COPIES Gulf to Secretary of State for India,
CIRCULATED) repeating telegram from Political Agent,
Koweit.

Dated Bushire, 26th November, 1934.

Received 5.30 p.m., 26th November, 1934.

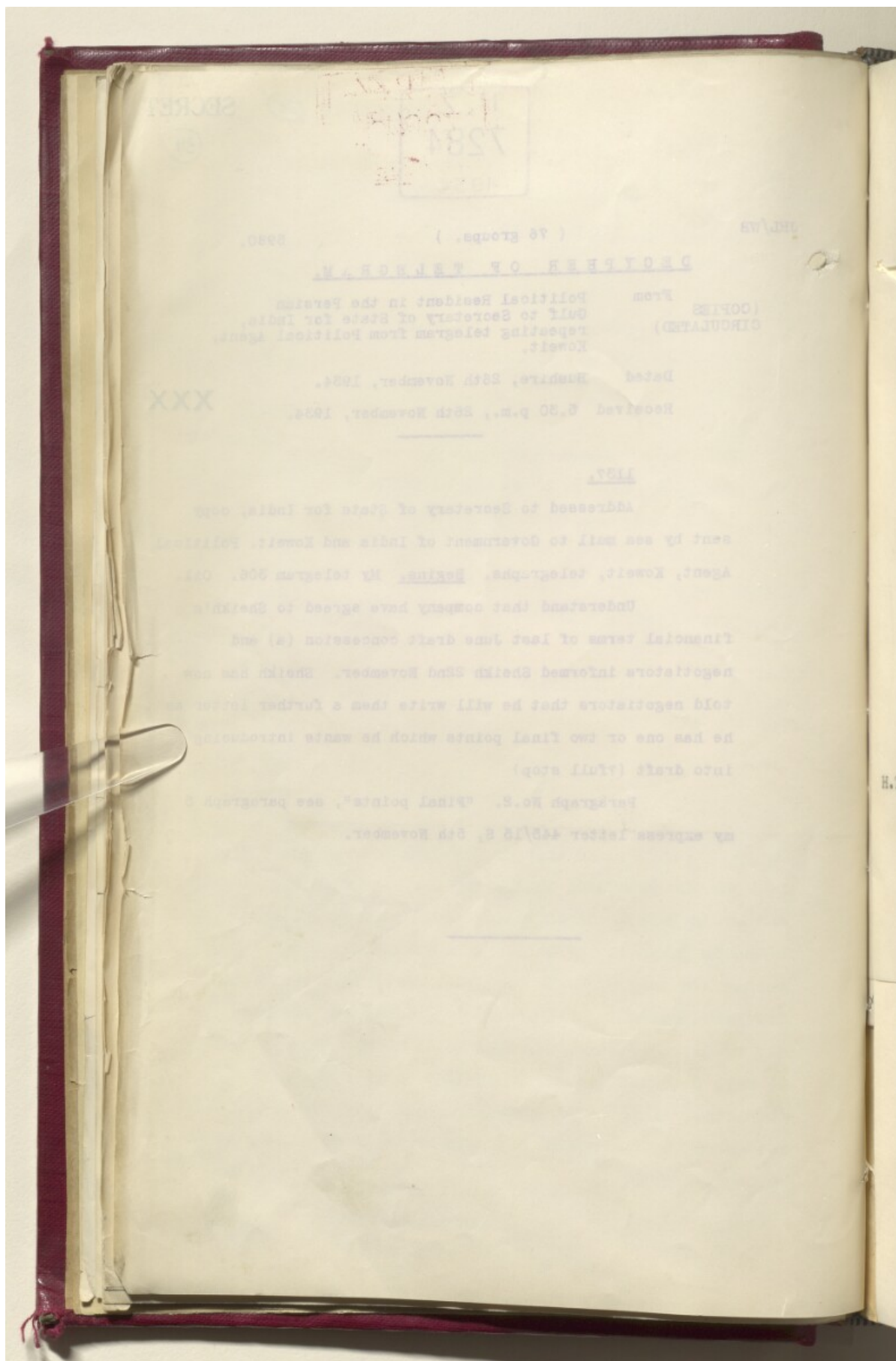
XXX

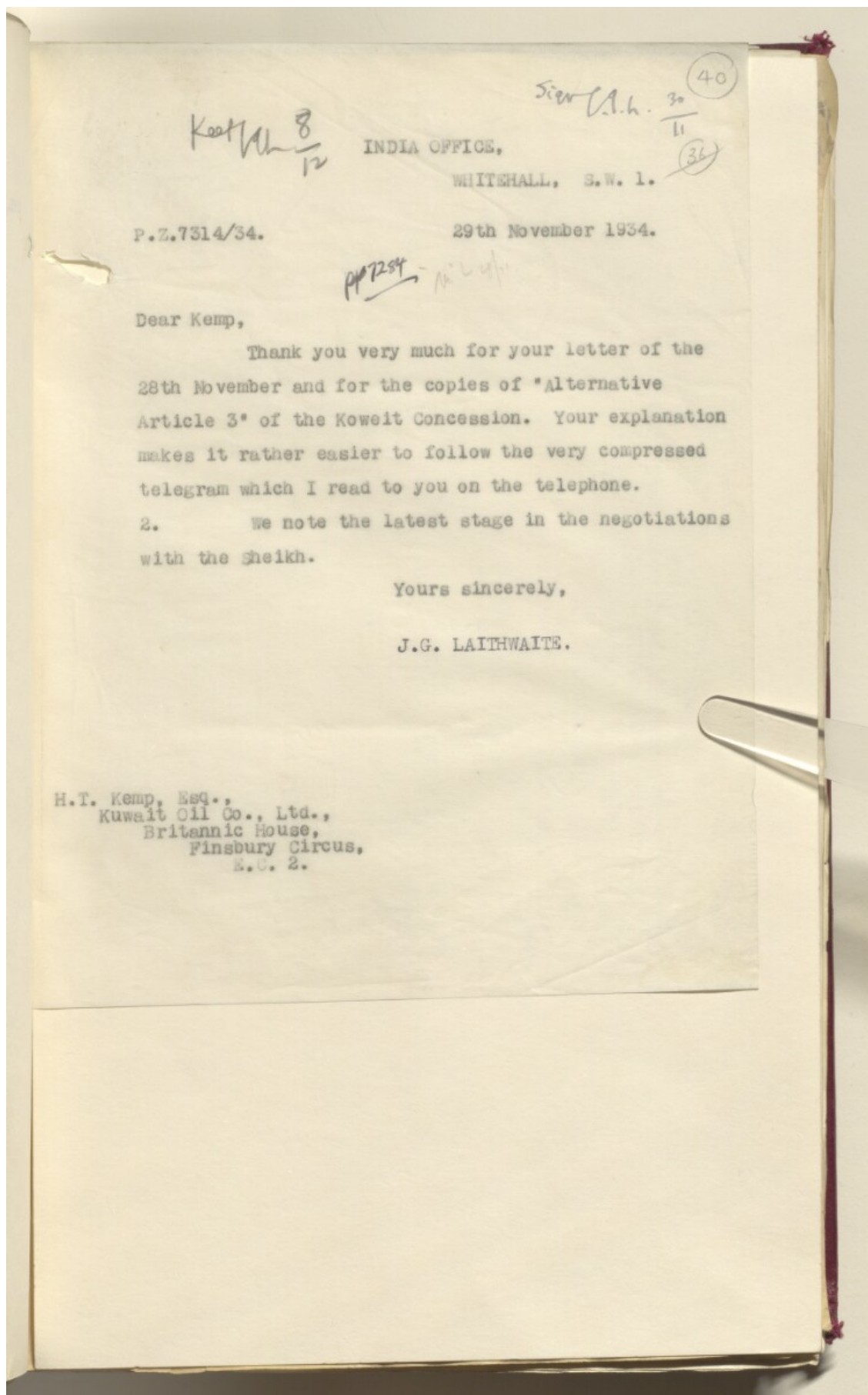
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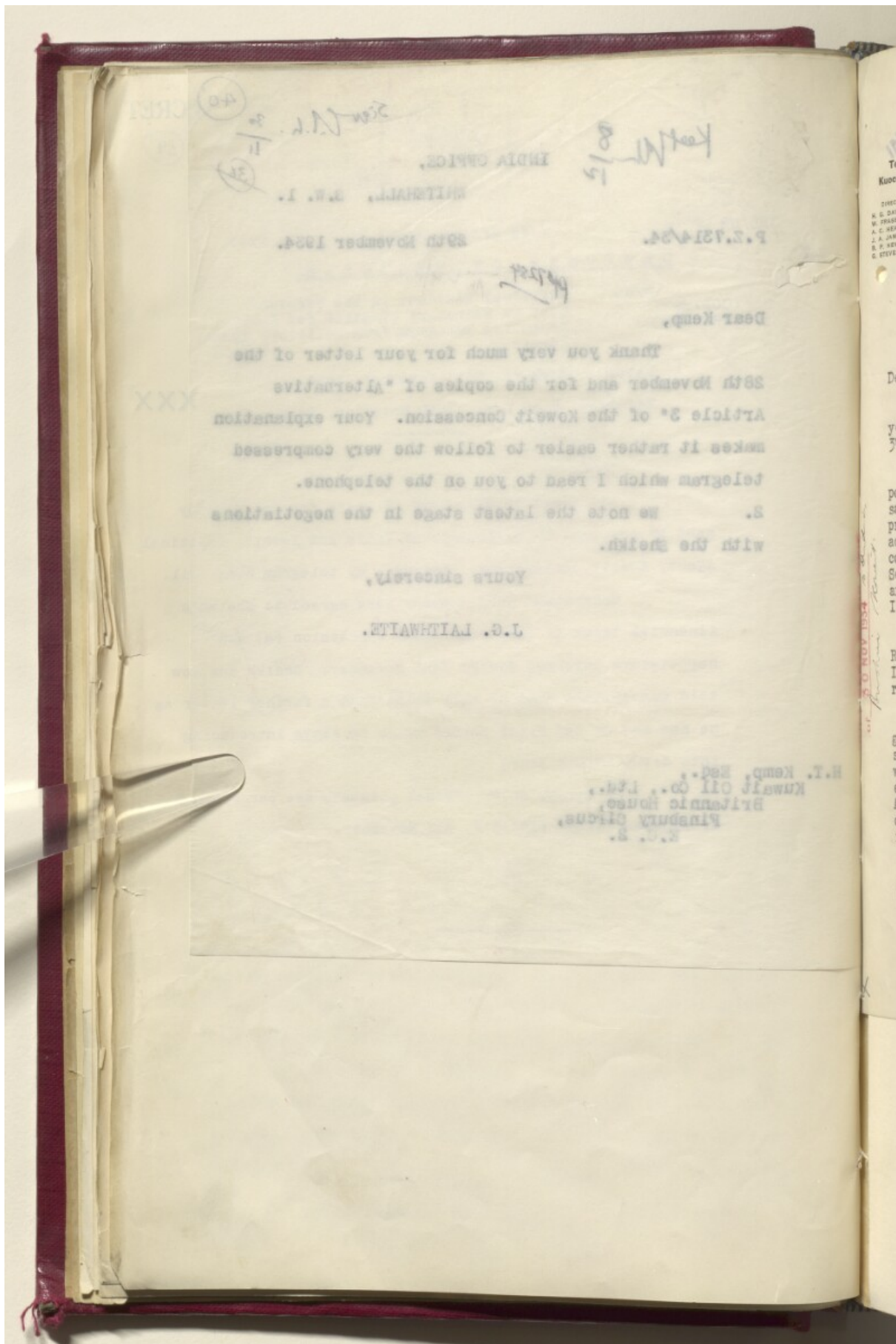
Addressed to Secretary of State for India, copy
sent by sea mail to Government of India and Koweit. Political
Agent, Koweit, telegraphs. Begins. My telegram 306. Oil.

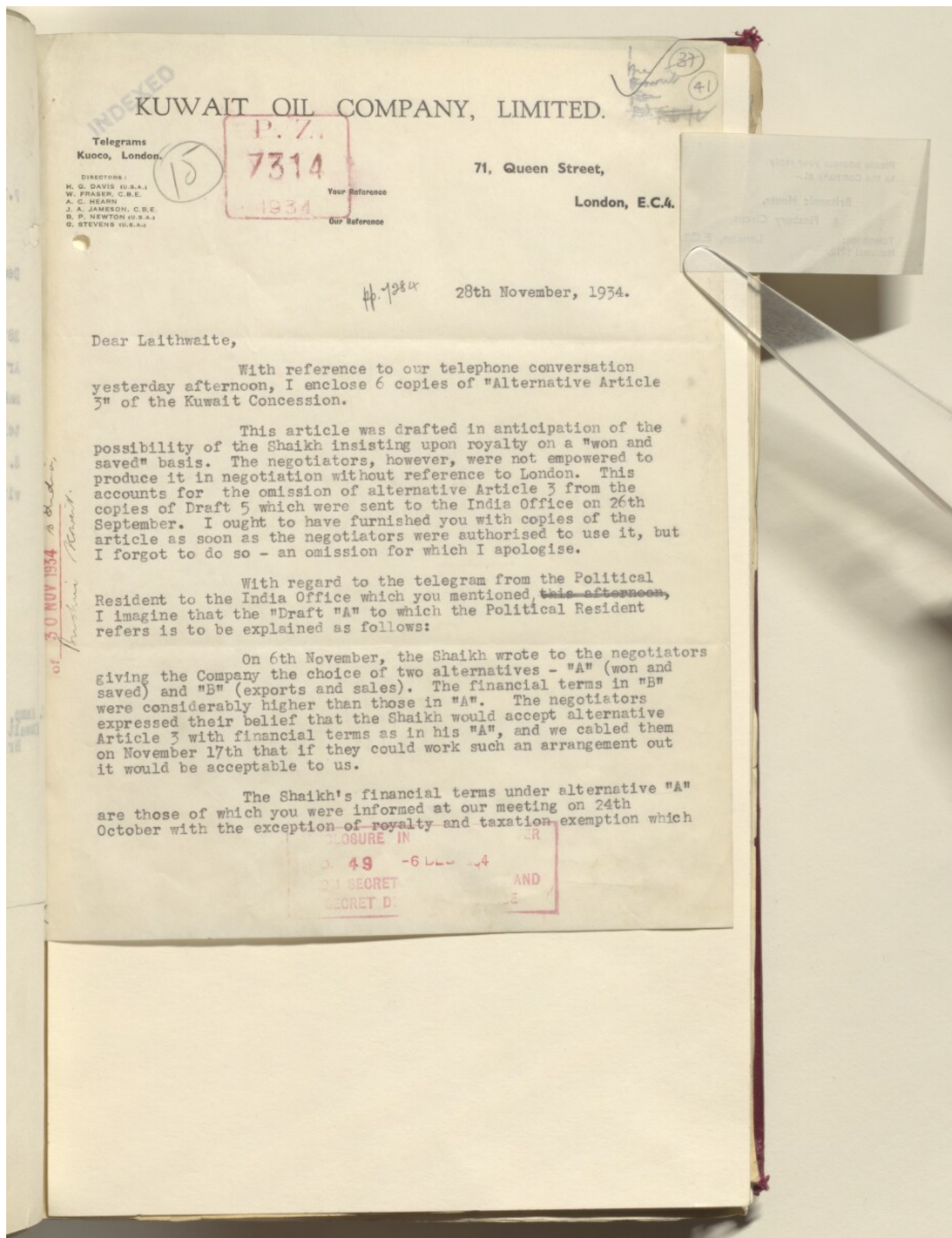
Understand that company have agreed to Sheikh's
financial terms of last June draft concession (a) and
negotiators informed Sheikh 22nd November. Sheikh has now
told negotiators that he will write them a further letter as
he has one or two final points which he wants introducing
into draft (?full stop)

Paragraph No.2. "Final points", see paragraph 5
my express letter 445/15 S, 5th November.









KUWAIT OIL COMPANY, LIMITED.

Telegrams
Kuoco, London.

DIRECTORS:
H. G. DAVIS (U.S.A.)
W. FRASER, C.B.E.
A. C. HEARN
J. A. JAMESON, C.B.E.
B. P. NEWTON (U.S.A.)
G. STEVENS (U.S.A.)

71, Queen Street,

London, E.C.4.

28th November, 1934.

Dear Laithwaite,

With reference to our telephone conversation yesterday afternoon, I enclose 6 copies of "Alternative Article 3" of the Kuwait Concession.

This article was drafted in anticipation of the possibility of the Shaikh insisting upon royalty on a "won and saved" basis. The negotiators, however, were not empowered to produce it in negotiation without reference to London. This accounts for the omission of alternative Article 3 from the copies of Draft 5 which were sent to the India Office on 26th September. I ought to have furnished you with copies of the article as soon as the negotiators were authorised to use it, but I forgot to do so - an omission for which I apologise.

With regard to the telegram from the Political Resident to the India Office which you mentioned, ~~this afternoon~~, I imagine that the "Draft A" to which the Political Resident refers is to be explained as follows:

On 6th November, the Shaikh wrote to the negotiators giving the Company the choice of two alternatives - "A" (won and saved) and "B" (exports and sales). The financial terms in "B" were considerably higher than those in "A". The negotiators expressed their belief that the Shaikh would accept alternative Article 3 with financial terms as in his "A", and we cabled them on November 17th that if they could work such an arrangement out it would be acceptable to us.

The Shaikh's financial terms under alternative "A" are those of which you were informed at our meeting on 24th October with the exception of ~~royalty and taxation exemption~~ which

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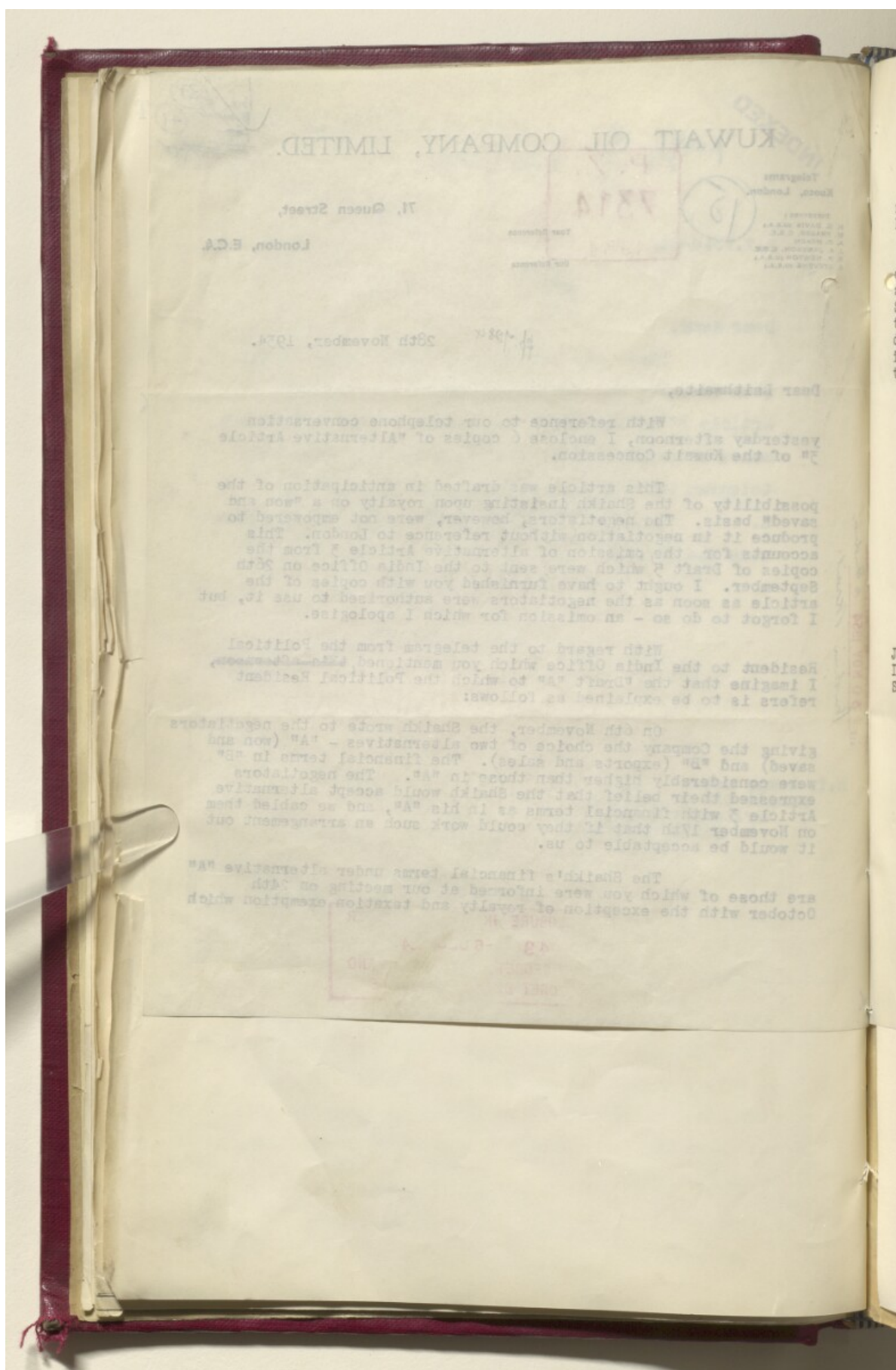
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AND

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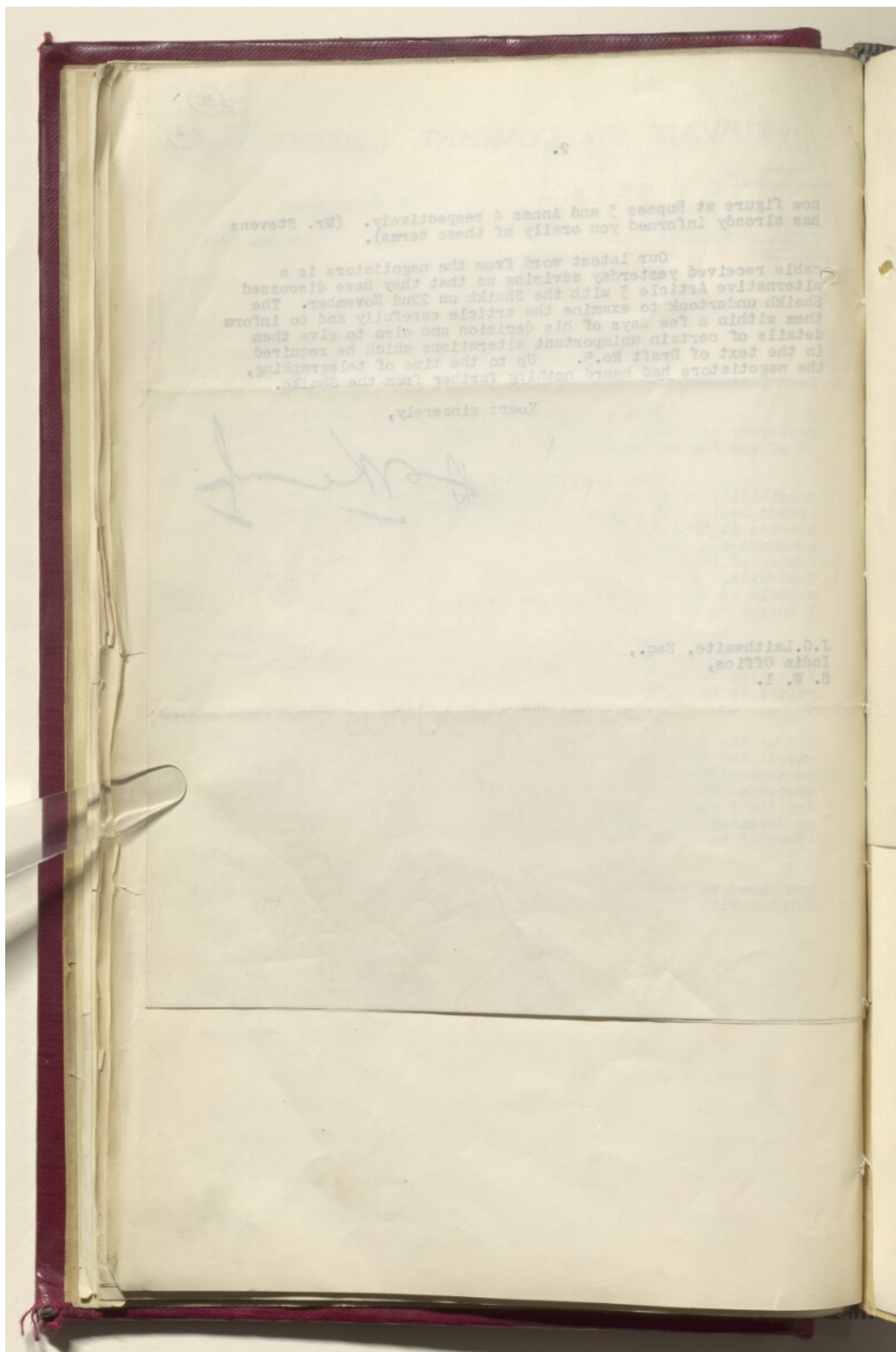
2.

now figure at Rupees 3 and Annas 4 respectively. (Mr. Stevens has already informed you orally of these terms).

Our latest word from the negotiators is a cable received yesterday advising us that they have discussed alternative Article 3 with the Shaikh on 22nd November. The Shaikh undertook to examine the article carefully and to inform them within a few days of his decision and also to give them details of certain unimportant alterations which he required in the text of Draft No.5. Up to the time of telegraphing, the negotiators had heard nothing further from the Shaikh.

Yours sincerely,

J.G. Laithwaite, Esq.,
India Office,
S. W. 1.

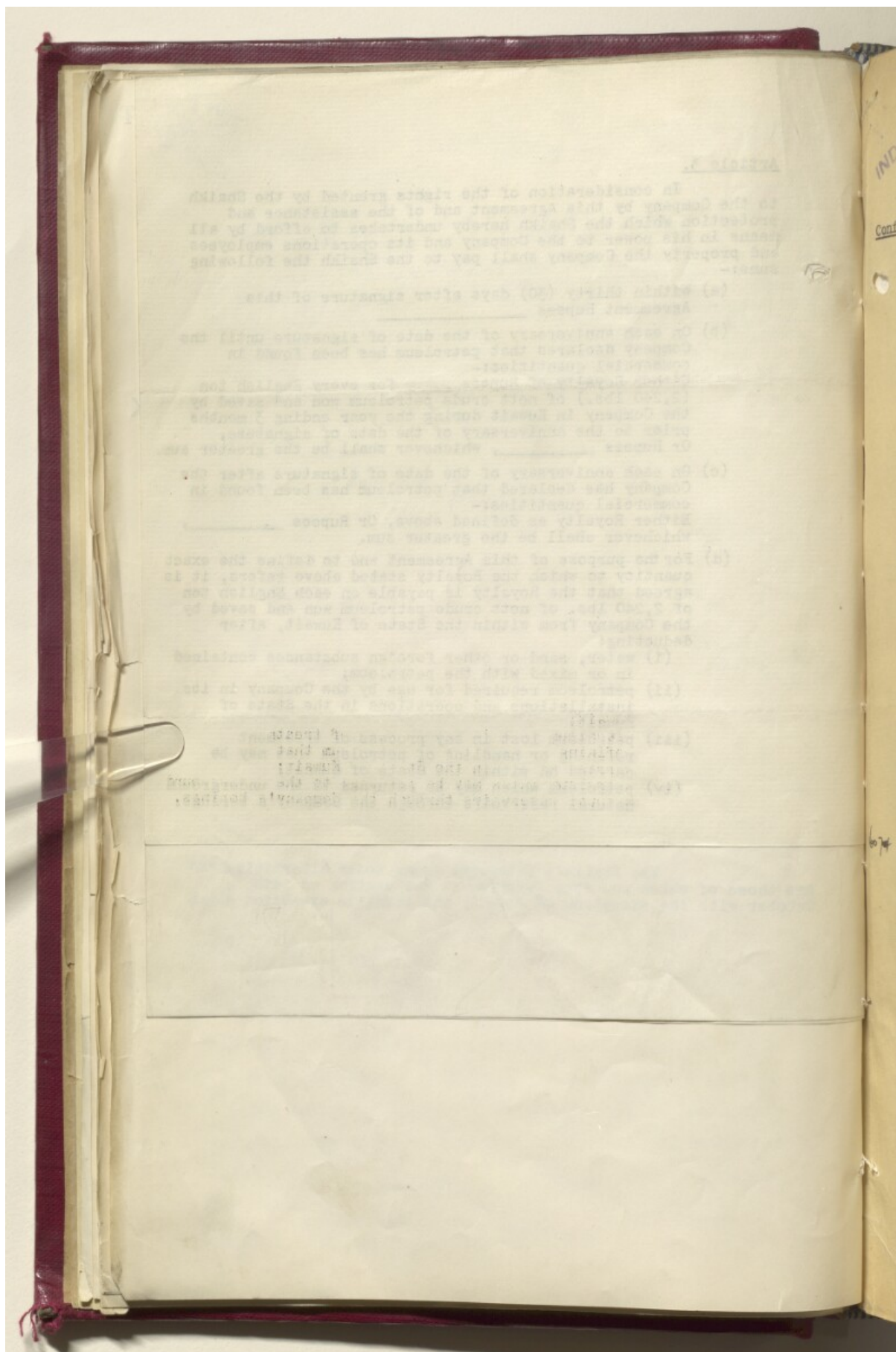




Article 3.

In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance and protection which the Shaikh hereby undertakes to afford by all means in his power to the Company and its operations employees and property the Company shall pay to the Shaikh the following sums:-

- (a) Within thirty (30) days after signature of this Agreement Rupees _____
- (b) On each anniversary of the date of signature until the Company declares that petroleum has been found in commercial quantities:-
Either Royalty of Rupees _____ for every English ton (2,240 lbs.) of nett crude petroleum won and saved by the Company in Kuwait during the year ending 3 months prior to the anniversary of the date of signature,
Or Rupees _____, whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after the Company has declared that petroleum has been found in commercial quantities:-
Either Royalty as defined above, Or Rupees _____, whichever shall be the greater sum.
- (d) For the purpose of this Agreement and to define the exact quantity to which the Royalty stated above refers, it is agreed that the Royalty is payable on each English ton of 2,240 lbs. of nett crude petroleum won and saved by the Company from within the State of Kuwait, after deducting:
 - (i) water, sand or other foreign substances contained in or mixed with the petroleum;
 - (ii) petroleum required for use by the Company in its installations and operations in the State of Kuwait;
 - (iii) petroleum lost in any process of treatment refining or handling of petroleum that may be carried on within the State of Kuwait;
 - (iv) petroleum which may be returned to the underground natural reservoirs through the Company's borings.





INDEXED

P. Z.
7268

GOVERNMENT OF INDIA

DEPARTMENT.

Confidential.

EXPRESS LETTER

[N. B.—This is an ORIGINAL MESSAGE, sent by post to save telegraphic expense and undue use of the wires, but intended to be treated, on receipt, with the same expedition as if it had been telegraphed. To save time and formalities it is worded and signed as if it had been so despatched.]

From - Political Resident, Bushire.

To - H.M.'s Secretary of State for India, London.

Repeated - Government of India, New Delhi.

Political Agent, Kuwait.

No. 1015-S of 1934. Dated 5th November 1934.

Reference your telegram No.2342 dated the 4th October 1934.

Method of appointment of Chief Local Representative, Kuwait Oil Company.

2. For convenience I enumerate below the following points bearing on this question:-

(a) Article 4 of the Political Agreement dated 5th March 1934 between His Majesty's Government and the Kuwait Oil Company stipulated that one of the superior local employees of the Company shall be designated Chief Local Representative of the Company in Kuwait and that the approval of His Majesty's Government shall be required for the person so designated.

(b) In a letter to the Political Agent, dated the 13th April 1934, the Shaikh of Kuwait officially communicated his approval of the Political Agreement.

(c) /

DCFP-1668&P-(M-1821)-27 9-32-2,80,000.

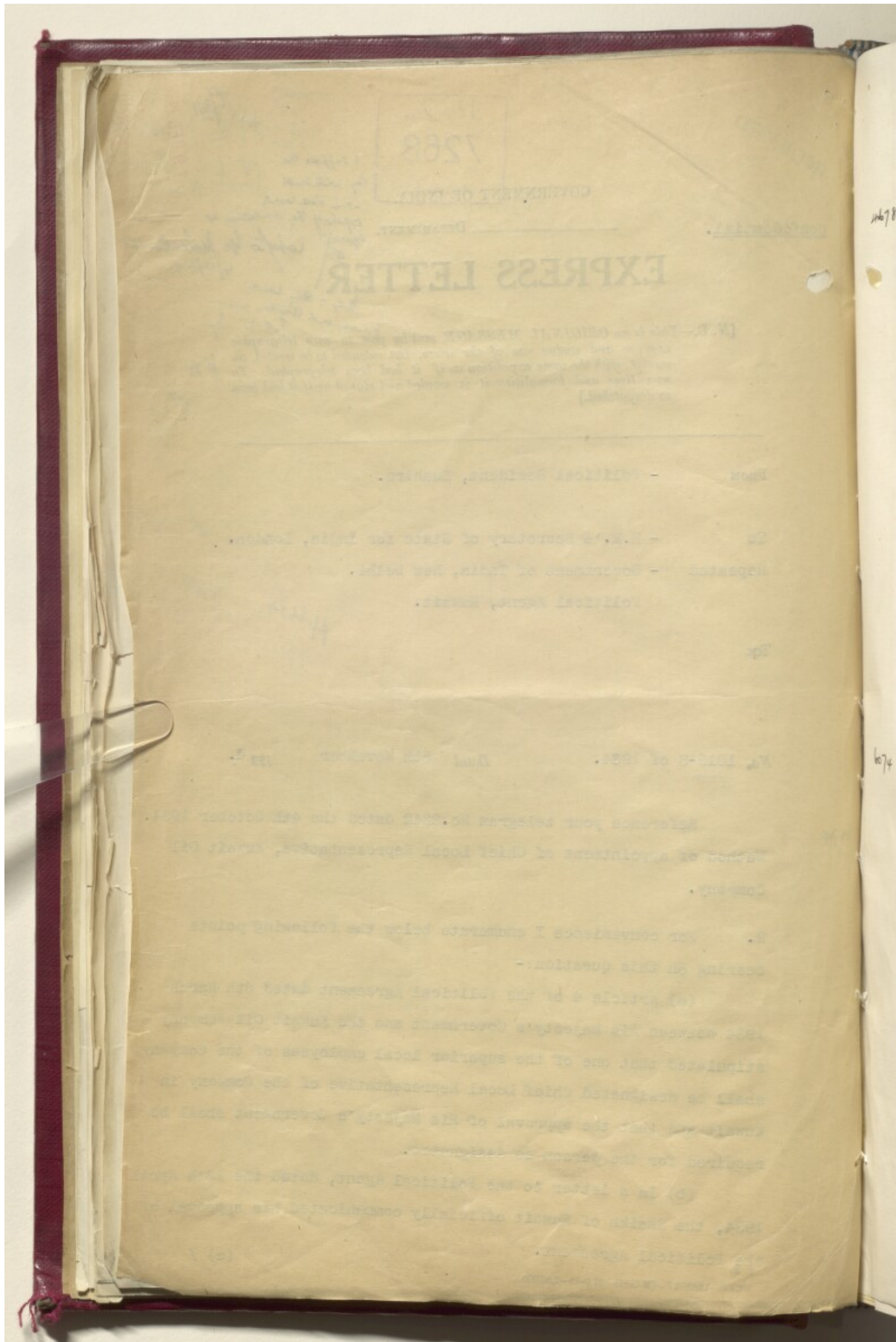
19 DEC 1934

Copy to Mr. Malcolm (FO) 4/12/34

Is. H. H. the
Copy will send
as in due course
copy of the concession of
signed
copy to Mr. Malcolm (FO)
4/12/34

6074

6629





-2-

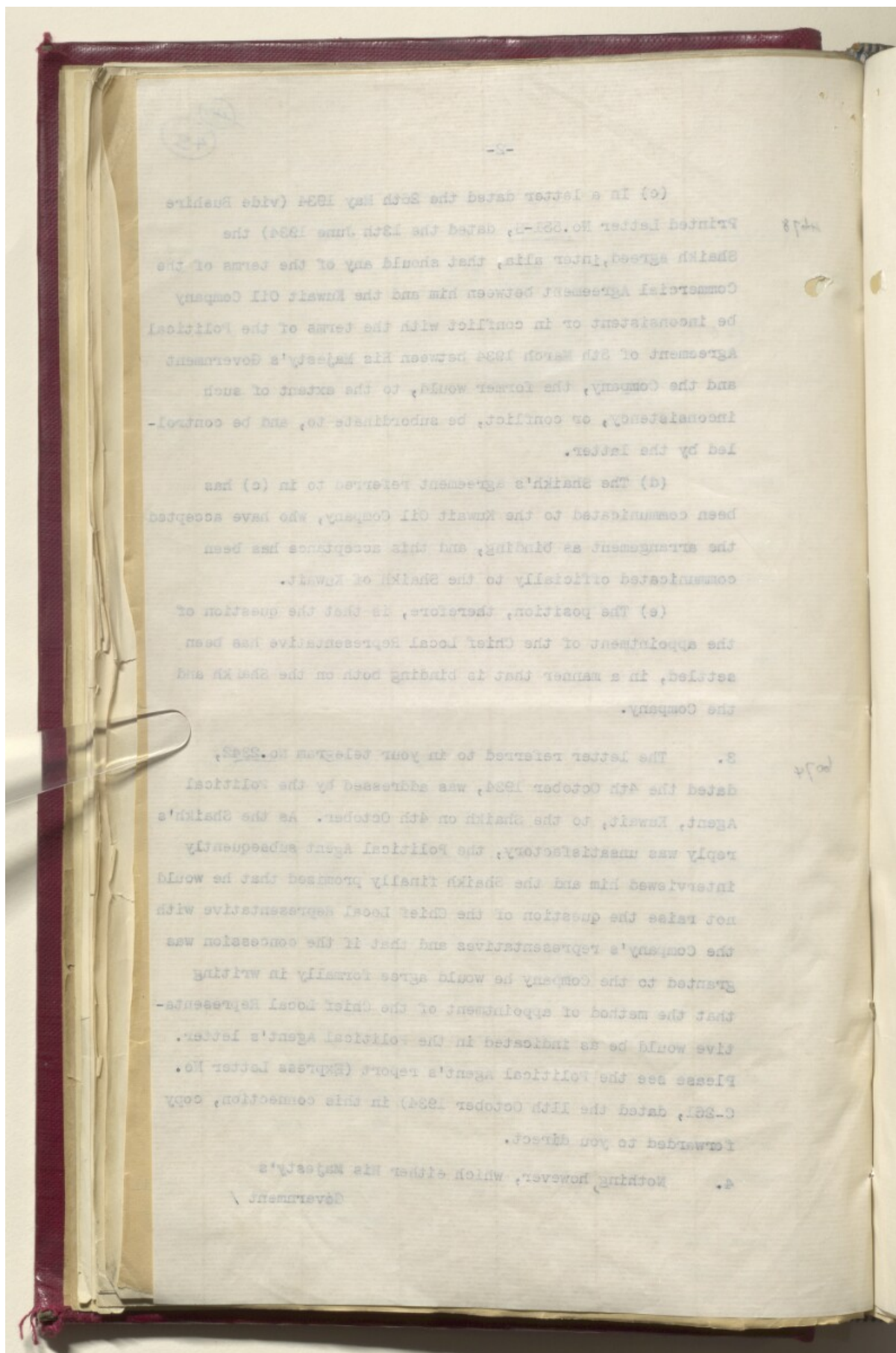
44678 (c) In a letter dated the 26th May 1934 (vide Bushire Printed Letter No. 551-S, dated the 13th June 1934) the Shaikh agreed, inter alia, that should any of the terms of the Commercial Agreement between him and the Kuwait Oil Company be inconsistent or in conflict with the terms of the Political Agreement of 5th March 1934 between His Majesty's Government and the Company, the former would, to the extent of such inconsistency, or conflict, be subordinate to, and be controlled by the latter.

(d) The Shaikh's agreement referred to in (c) has been communicated to the Kuwait Oil Company, who have accepted the arrangement as binding, and this acceptance has been communicated officially to the Shaikh of Kuwait.

(e) The position, therefore, is that the question of the appointment of the Chief Local Representative has been settled, in a manner that is binding both on the Shaikh and the Company.

6074 3. The letter referred to in your telegram No. 2342, dated the 4th October 1934, was addressed by the Political Agent, Kuwait, to the Shaikh on 4th October. As the Shaikh's reply was unsatisfactory, the Political Agent subsequently interviewed him and the Shaikh finally promised that he would not raise the question of the Chief Local Representative with the Company's representatives and that if the concession was granted to the Company he would agree formally in writing that the method of appointment of the Chief Local Representative would be as indicated in the Political Agent's letter. Please see the Political Agent's report (Express Letter No. C-261, dated the 11th October 1934) in this connection, copy forwarded to you direct.

4. Nothing, however, which either His Majesty's
Government /





-3-

Government or the Shaikh have since said or done affects in any way our position given in paragraph 2 (e) above.

5. I think it likely that the Shaikh will either

(a) when he has granted the concession to the Kuwait Oil Company, approach His Majesty's Government to concede to him, as a favour, the right of selecting the Chief Local Representative subject to the approval of His Majesty's Government, or

(b) when he has reached agreement with the Company's representatives on all points now at issue, make the grant of the concession dependent on his being allowed by His Majesty's Government the right of selecting the Chief Local Representative subject to their approval.

6. For the present, as the Shaikh has promised not to raise the question with the Company's negotiators, it will not act as an obstacle to the progress of the negotiations.

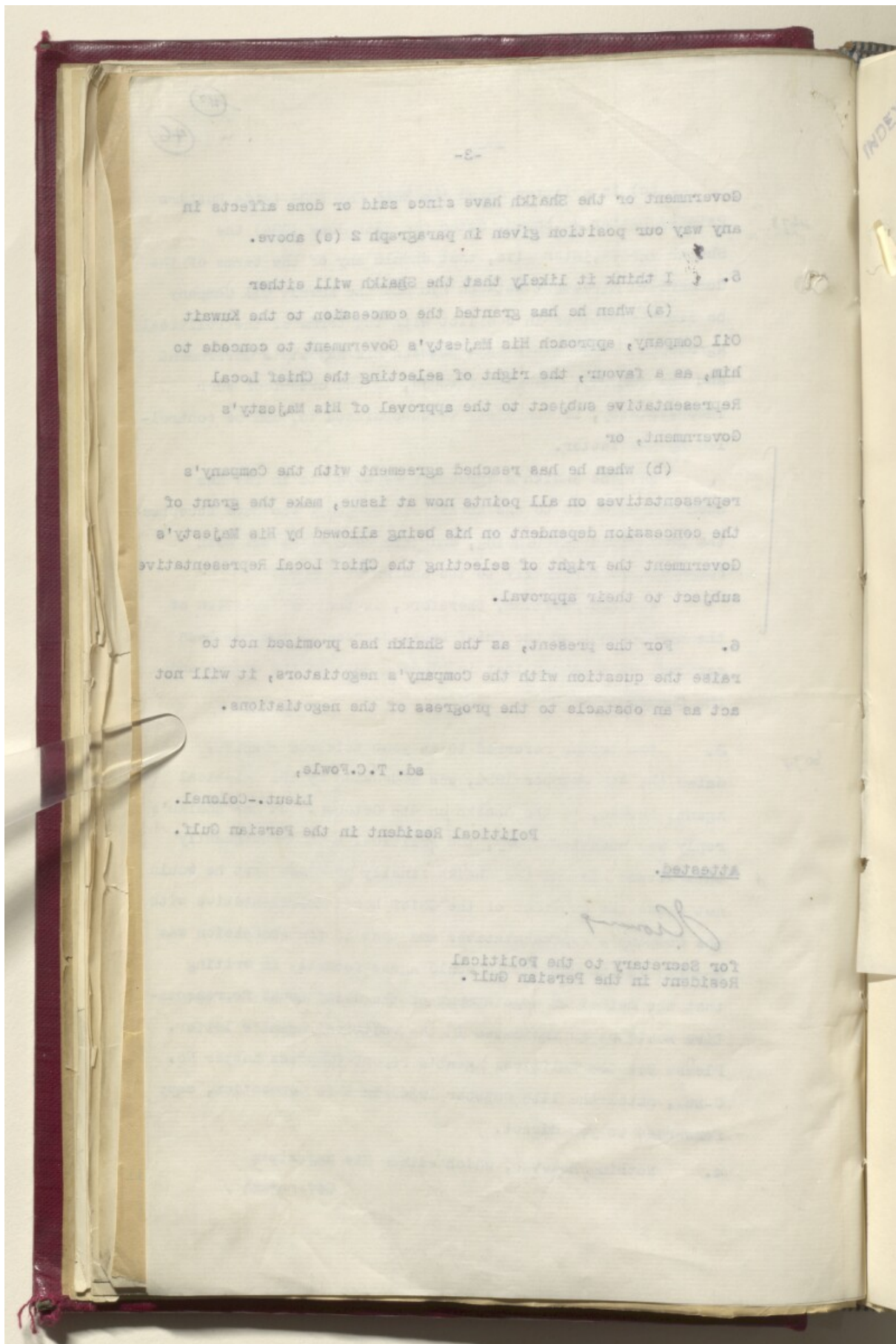
sd. T.C.Fowle,

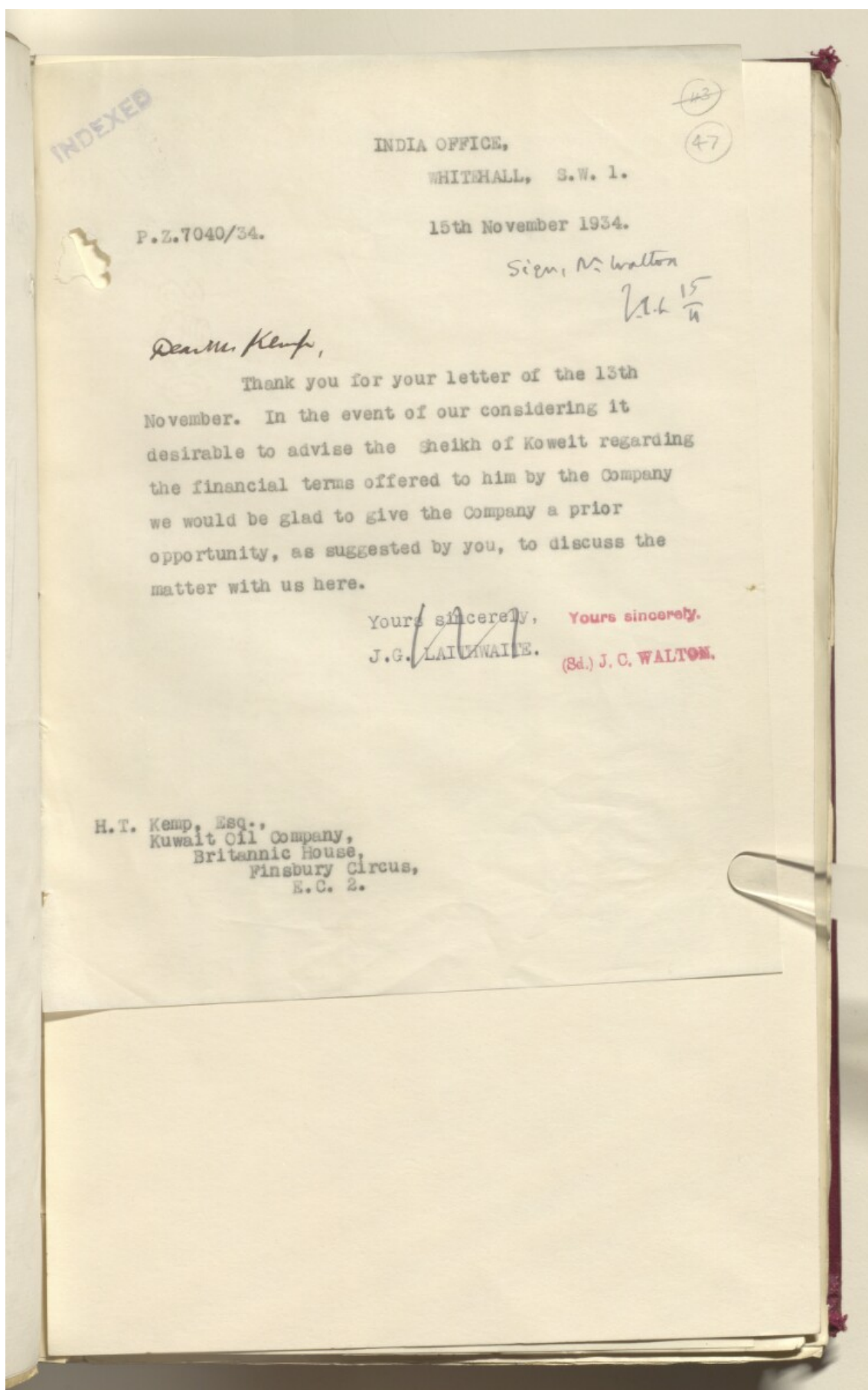
Lieut.-Colonel.

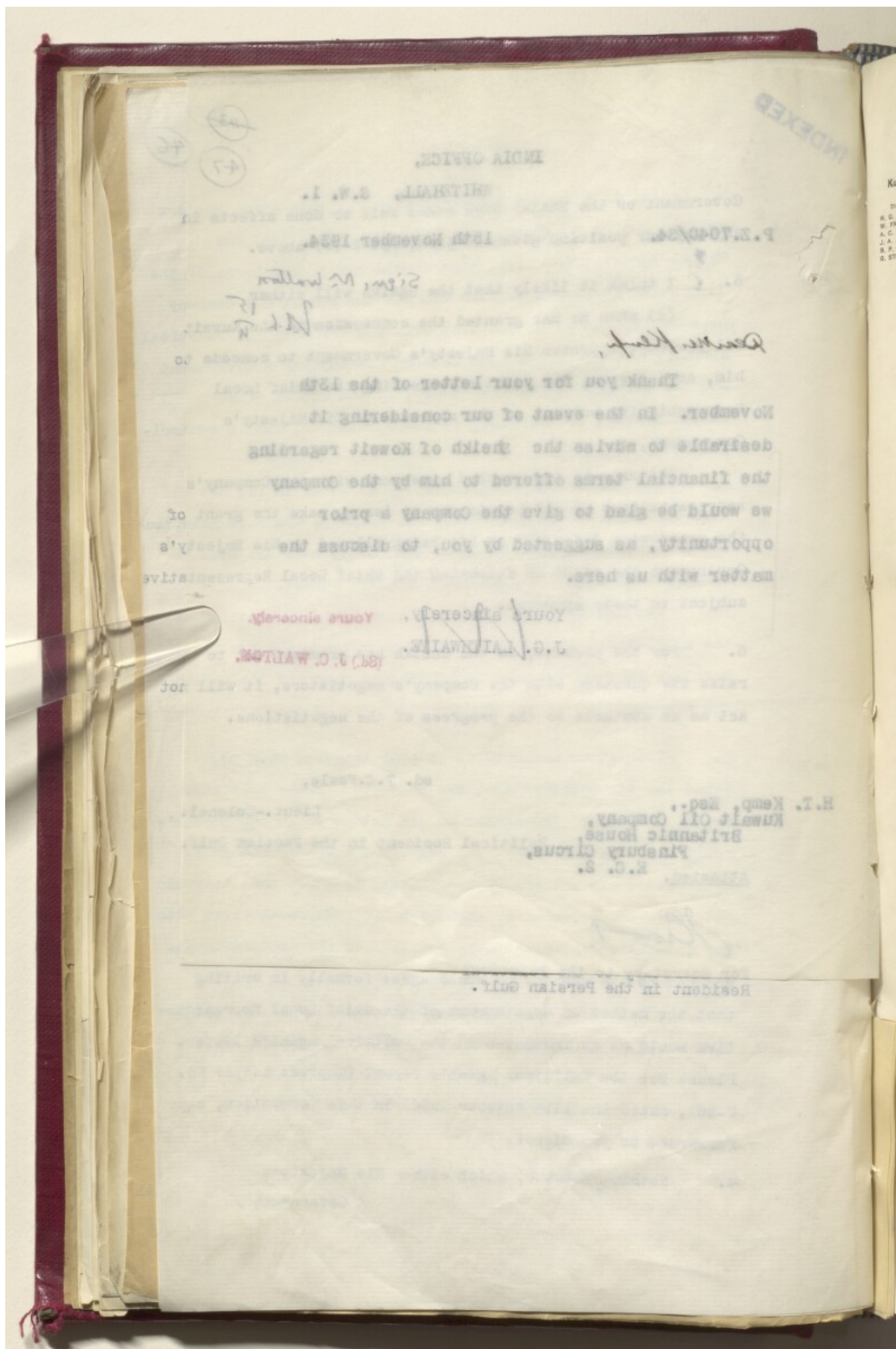
Political Resident in the Persian Gulf.

Attested.

for Secretary to the Political
Resident in the Persian Gulf.









KUWAIT OIL COMPANY, LIMITED.

Telegrams
Kuoco, London.

DIRECTORS:
H. G. DAVIS (U.S.A.)
W. FRASER, C.B.E.
A. C. HEARN
J. A. JAMESON, C.B.E.
B. P. WALTON (U.S.A.)
G. STEPHENS (U.S.A.)

71, Queen Street,
London, E.C.4.

Your Reference

Our Reference

13th November, 1934.

Dear Mr. Walton,

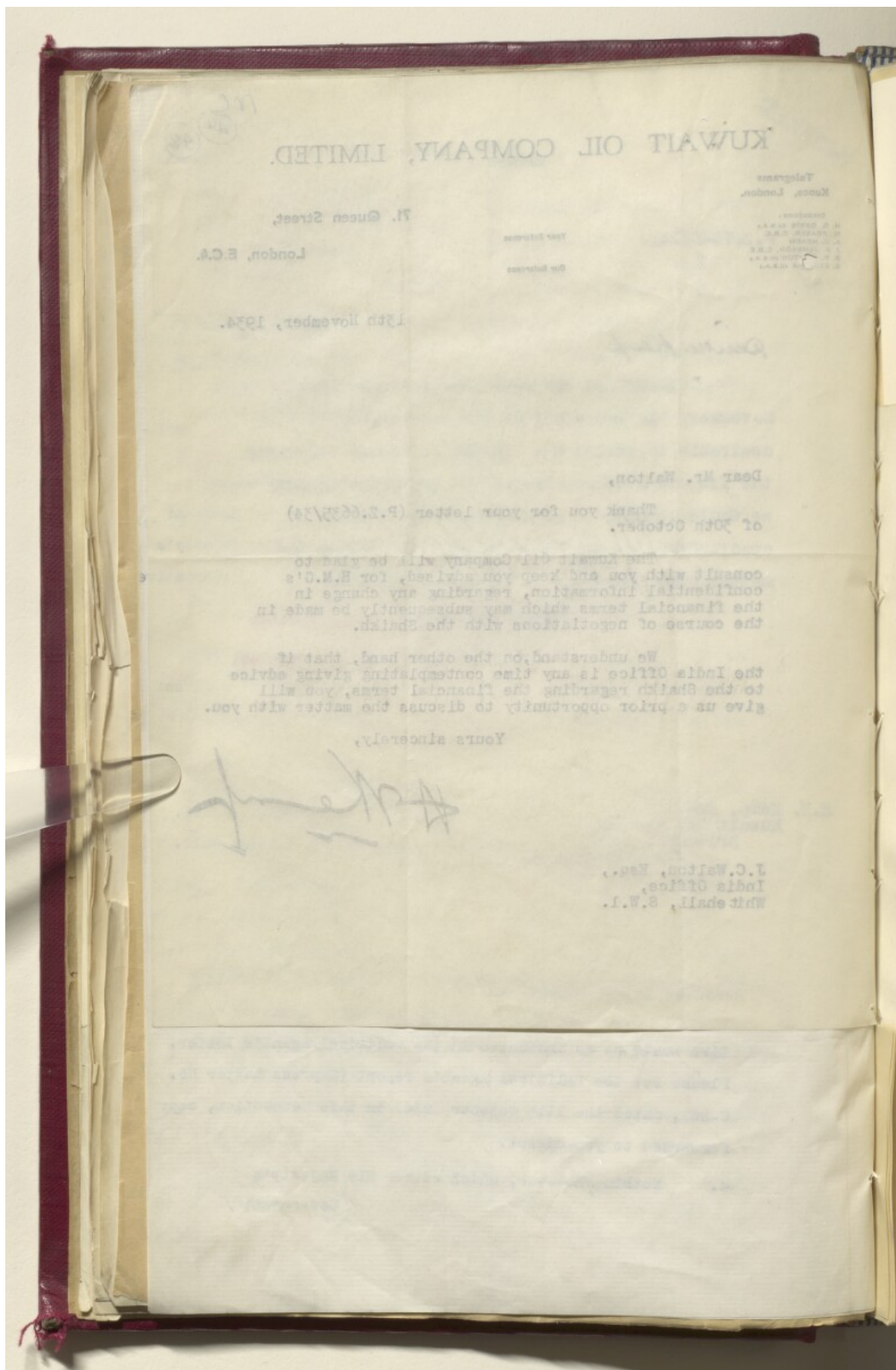
Thank you for your letter (P.Z.6635/34)
of 30th October.

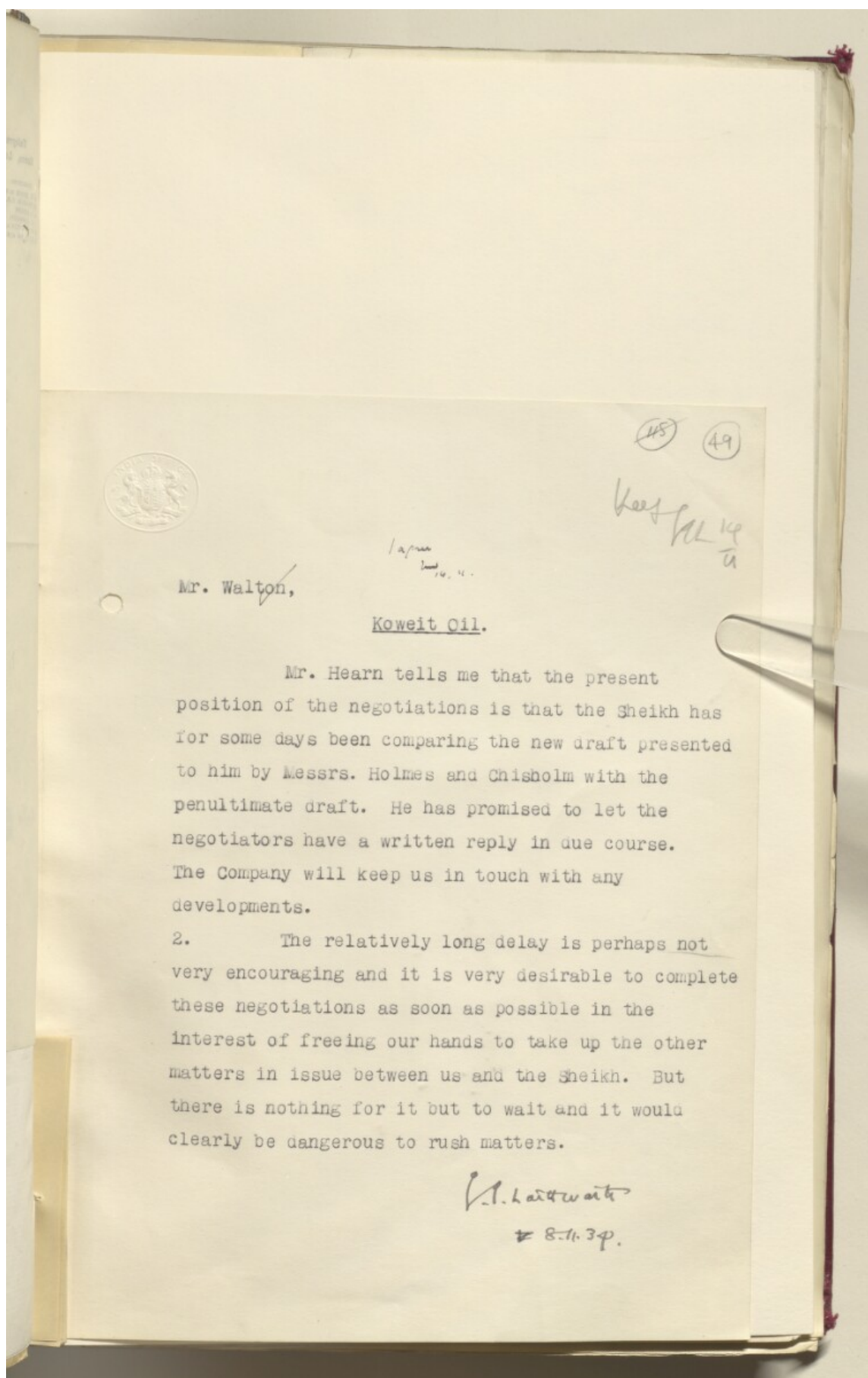
The Kuwait Oil Company will be glad to
consult with you and keep you advised, for H.M.G.'s
confidential information, regarding any change in
the financial terms which may subsequently be made in
the course of negotiations with the Shaikh.

We understand, on the other hand, that if
the India Office is any time contemplating giving advice
to the Shaikh regarding the financial terms, you will
give us a prior opportunity to discuss the matter with you.

Yours sincerely,

J.C. Walton, Esq.,
India Office,
Whitehall, S.W.1.





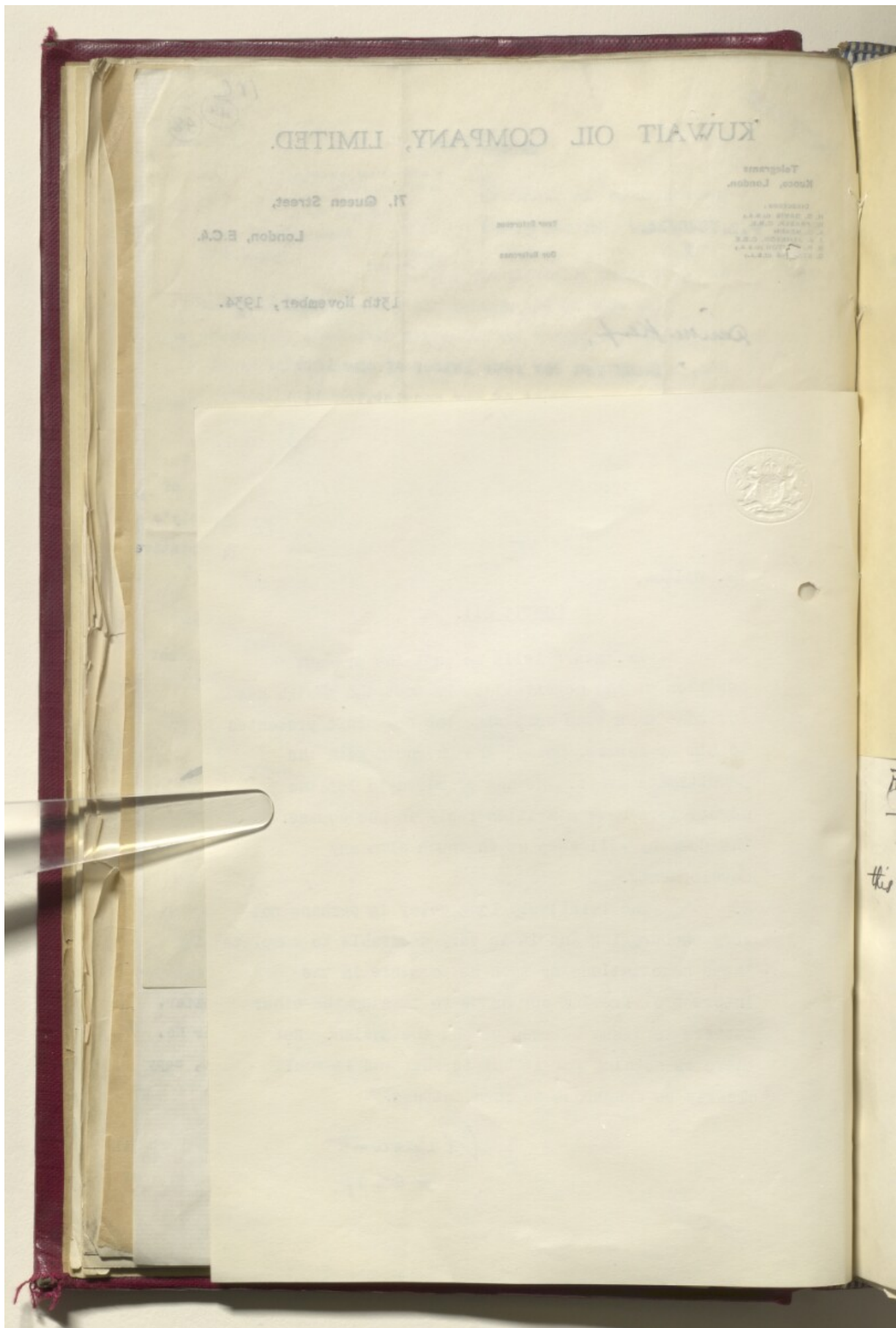
Mr. Walton,

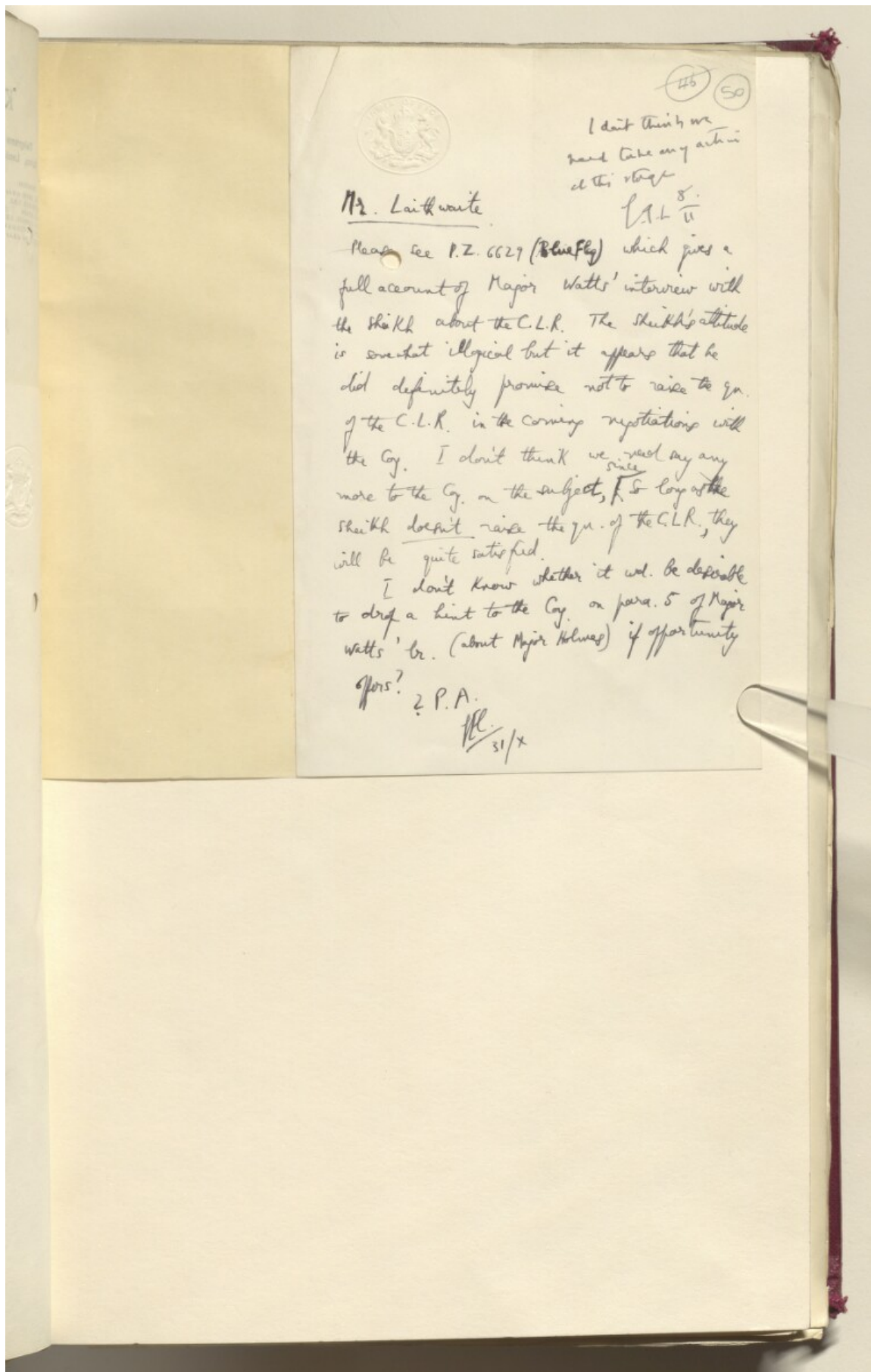
Koweit Oil.

Mr. Hearn tells me that the present position of the negotiations is that the Sheikh has for some days been comparing the new draft presented to him by Messrs. Holmes and Chisholm with the penultimate draft. He has promised to let the negotiators have a written reply in due course. The Company will keep us in touch with any developments.

2. The relatively long delay is perhaps not very encouraging and it is very desirable to complete these negotiations as soon as possible in the interest of freeing our hands to take up the other matters in issue between us and the Sheikh. But there is nothing for it but to wait and it would clearly be dangerous to rush matters.

J. L. Hearn
8-11-34.





Mr. Laithwaite

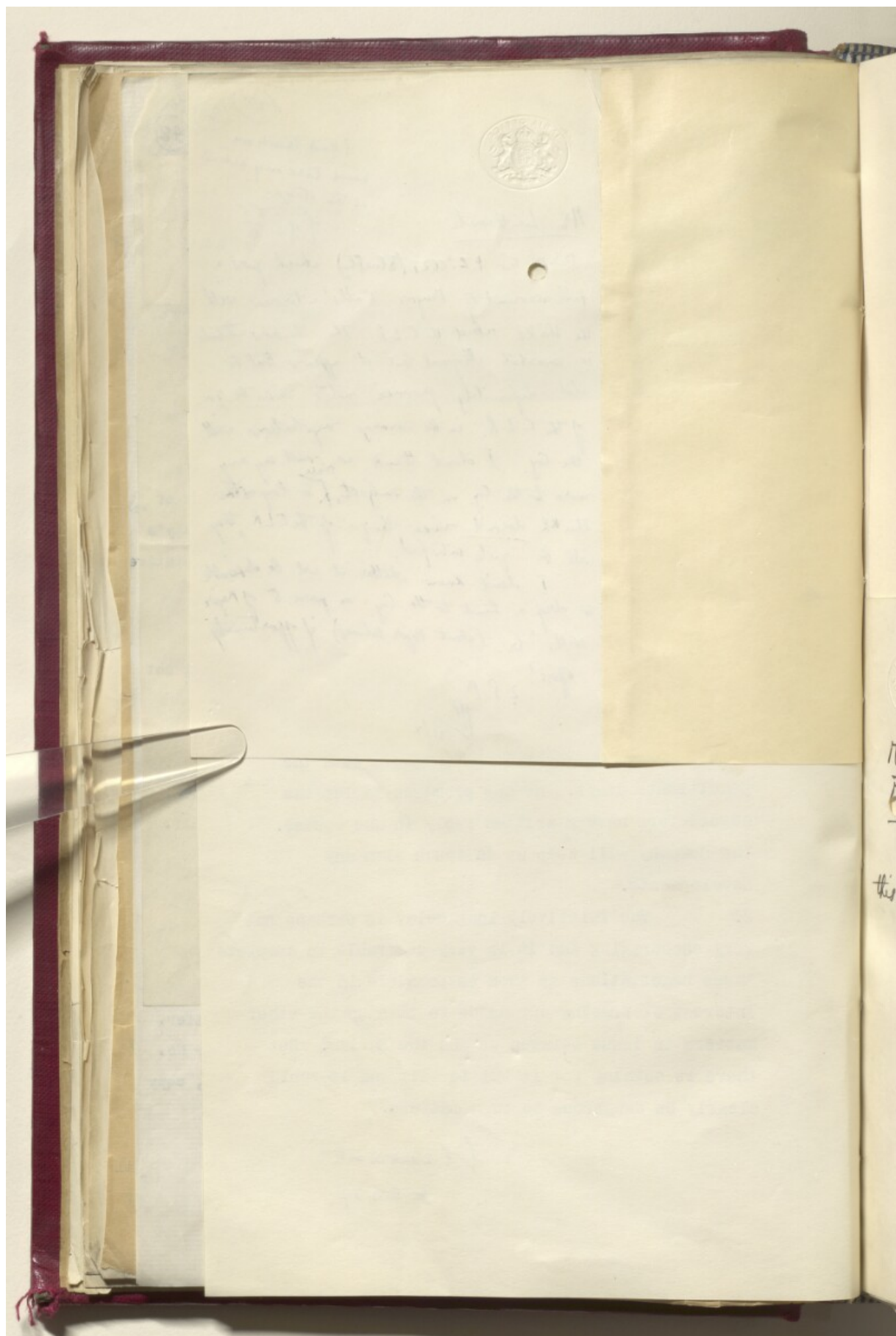
I don't think we
need take any action
at this stage
P.A. 8.11.50

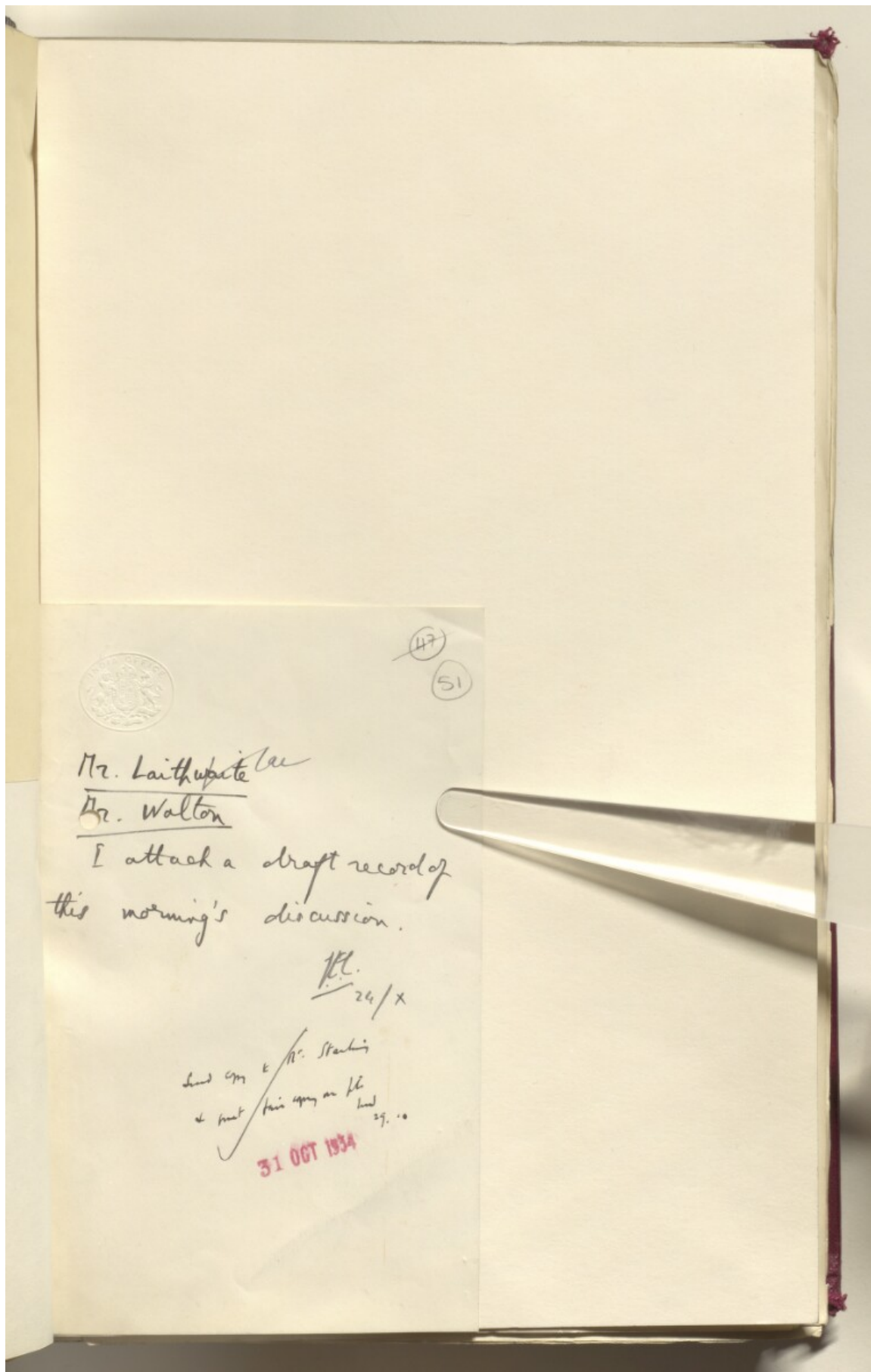
Please see P.Z. 6629 (Blue Fly) which gives a full account of Major Watts' interview with the Shaikh about the C.L.R. The Shaikh's attitude is somewhat illogical but it appears that he did definitely promise not to raise the qn. of the C.L.R. in the coming negotiations with the Coy. I don't think we need say any more to the Coy. on the subject, ^{since} so long as the Shaikh doesn't raise the qn. of the C.L.R., they will be quite satisfied.

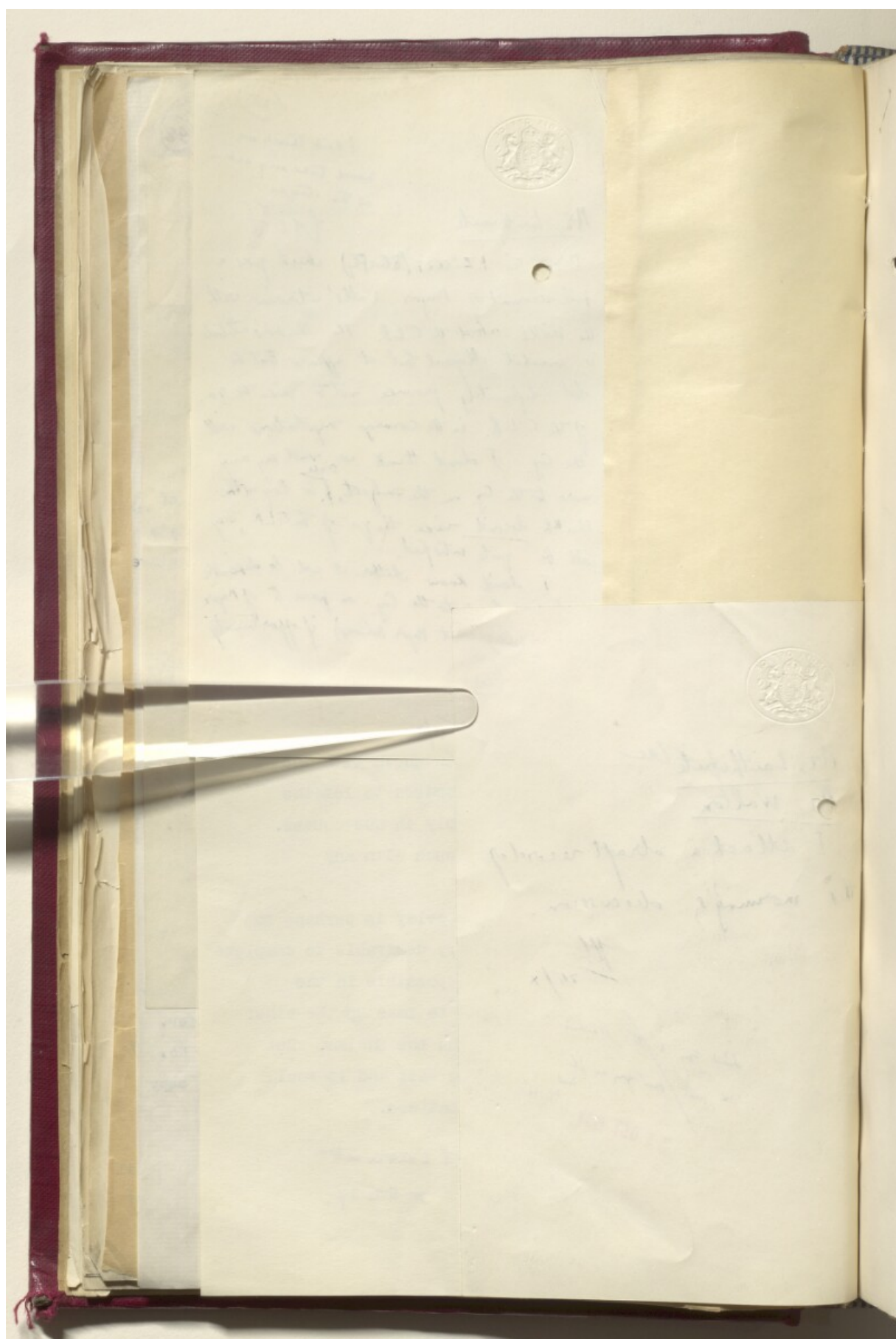
I don't know whether it wd. be desirable to drop a hint to the Coy. on para. 5 of Major Watts' br. (about Major Holmes) if opportunity

offers?
P.A.

31/X









P.Z. 6645/34.

DRAFT RECORD.

A meeting took place at the India Office on Wednesday 24th October, with representatives of the Kuwait Oil Company to discuss the financial terms in the Koweit Concession.

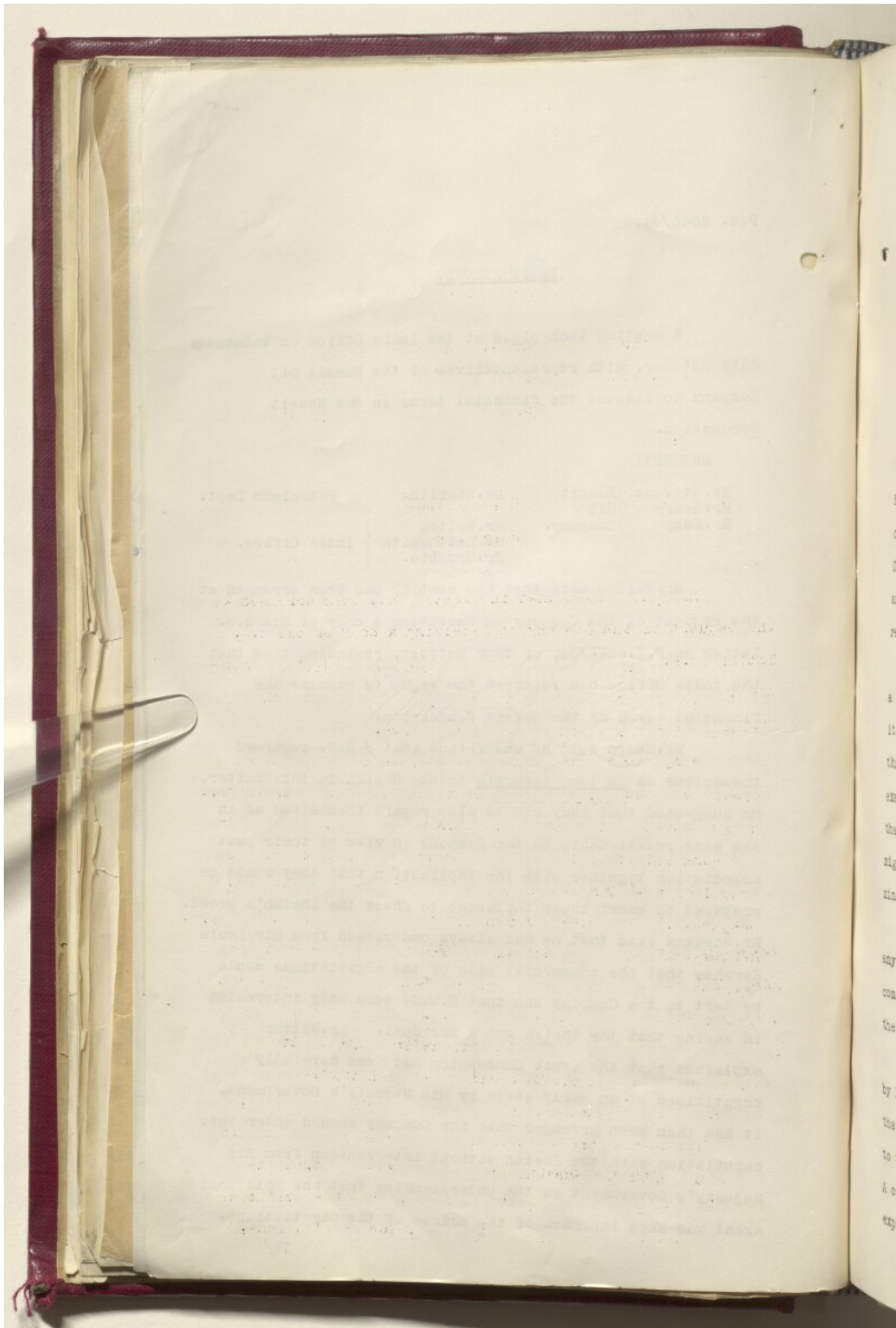
PRESENT:

Mr. Stevens	} Kuwait Oil Company.	Mr. Starling	} Petroleum Dept. India Office.
Mr. Hearn		Mr. Walton	
Mr. Kemp		Mr. Laithwaite Mr. Crombie	

Mr. Walton said that the meeting had been arranged at the request of the Company on receiving a copy of his d.o. letter No.P.Z.6325/34, of 13th October, reminding them that the India Office had reserved the right to examine the financial terms of the Koweit Concession.

Mr. Hearn said he understood that H.M.G. regarded themselves as in loco parentis to the Sheikh in this matter. He suggested that they should also regard themselves as in the same relationship to the Company in view of their past association together with the implication that they would be prepared to exert their influence to check the Sheikh's greed. Mr. Stevens said that he had always understood from Sir Louis Kershaw that the commercial side of the negotiations would be left to the Company and that H.M.G. were only interested in seeing that the Sheikh got a fair deal. Mr. Walton explained that the draft Concession had been carefully scrutinised at an early stage by His Majesty's Government. It had then been arranged that the Company should enter into negotiation with the Sheikh without intervention from His Majesty's Government on the understanding that the Political Agent was kept informed of the course of the negotiations.

It/





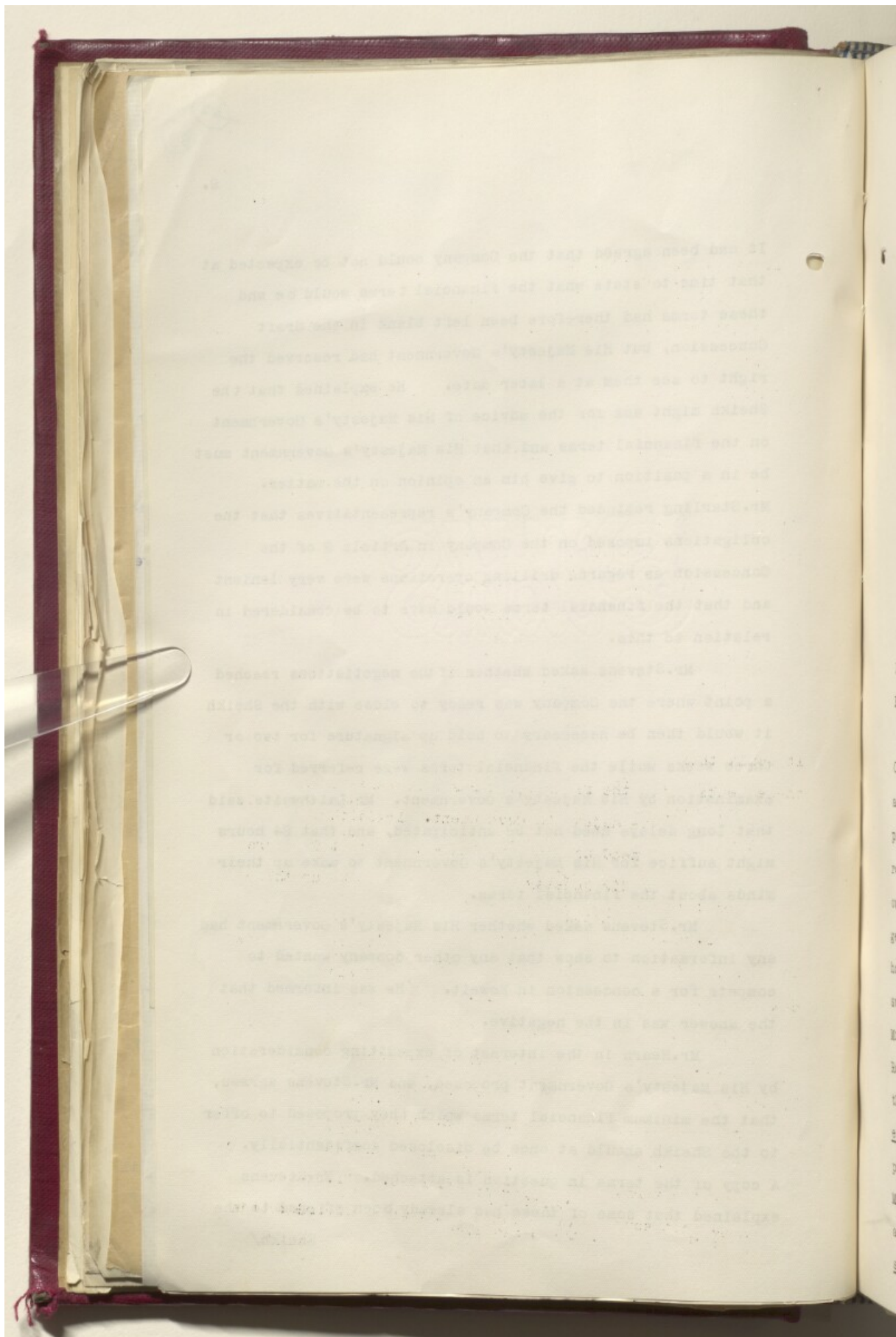
(49)
(53)
2.

It had been agreed that the Company could not be expected at that time to state what the financial terms would be and these terms had therefore been left blank in the draft Concession, but His Majesty's Government had reserved the right to see them at a later date. He explained that the Sheikh might ask for the advice of His Majesty's Government on the financial terms and that His Majesty's Government must be in a position to give him an opinion on the matter. Mr. Starling reminded the Company's representatives that the obligations imposed on the Company in Article 2 of the Concession as regards drilling operations were very lenient and that the financial terms would have to be considered in relation to this.

Mr. Stevens asked whether if the negotiations reached a point where the Company was ready to close with the Sheikh it would then be necessary to hold up signature for two or three weeks while the financial terms were referred for examination by His Majesty's Government. Mr. Laithwaite said that long delays need not be anticipated, and that 24 hours might suffice for His Majesty's Government to make up their minds about the financial terms.

Mr. Stevens asked whether His Majesty's Government had any information to show that any other company wanted to compete for a concession in Koweit. He was informed that the answer was in the negative.

Mr. Hearn in the interest of expediting consideration by His Majesty's Government proposed, and Mr. Stevens agreed, that the minimum financial terms which they proposed to offer to the Sheikh should at once be disclosed confidentially. A copy of the terms in question is attached. Mr. Stevens explained that some of these had already been offered to the Sheikh/





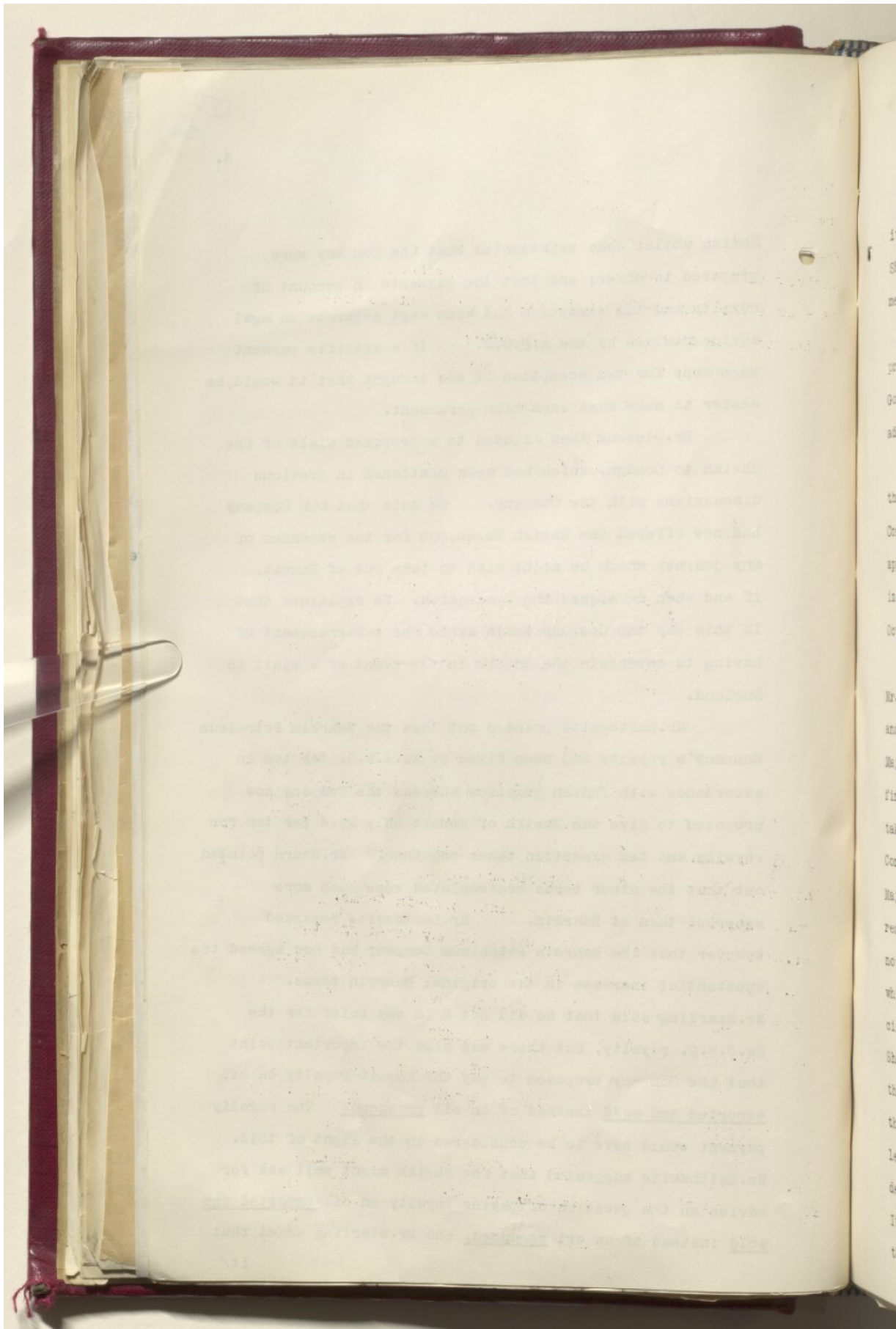
3.

Sheikh whilst some represented what the Company were prepared to offer; and that the payments on account of royalty and tax exemption had been kept separate on legal advice obtained by the A.P.O.C. If a specific payment were made for tax exemption it was thought that it would be easier to make that exemption permanent.

Mr. Stevens then alluded to a proposed visit of the Sheikh to London, which had been mentioned in previous discussions with the Company. He said that the Company had now offered the Sheikh Rs.25,000 for the expenses of any journey which he might wish to take out of Koweit, if and when he signed the Concession. He explained that in this way the Company would avoid the embarrassment of having to entertain the Sheikh in the event of a visit to England.

Mr. Laithwaite pointed out that the Bahrein Petroleum Company's royalty had been fixed at Rs.3.8.0. per ton in accordance with Indian practice whereas the Company now proposed to give the Sheikh of Koweit only Rs.3 per ton for royalty and tax exemption taken together. Mr. Hearn pointed out that the other terms contemplated were much more generous than at Bahrein. Mr. Laithwaite remarked however that the Bahrein Petroleum Company had now agreed to a substantial increase in the original Bahrein terms. Mr. Starling said that he did not hold any brief for the Rs.3.8.0. royalty, but there was also the important point that the Company proposed to pay the Koweit royalty on oil exported and sold instead of on oil produced. The royalty payment would have to be considered in the light of this. Mr. Laithwaite suggested that the Sheikh might well ask for advice on the question of paying royalty on oil exported and sold instead of on oil produced, and Mr. Starling added that

it/





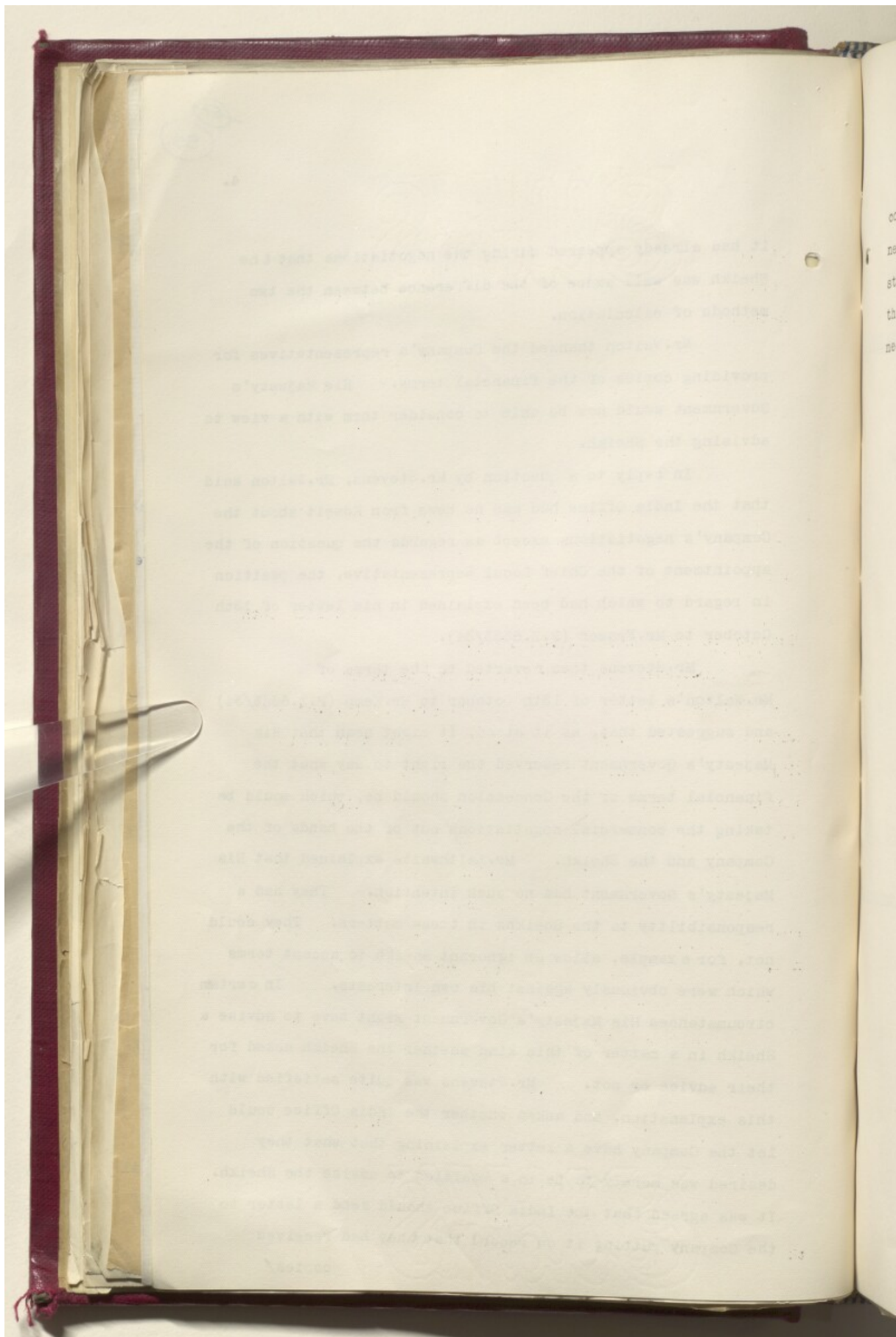
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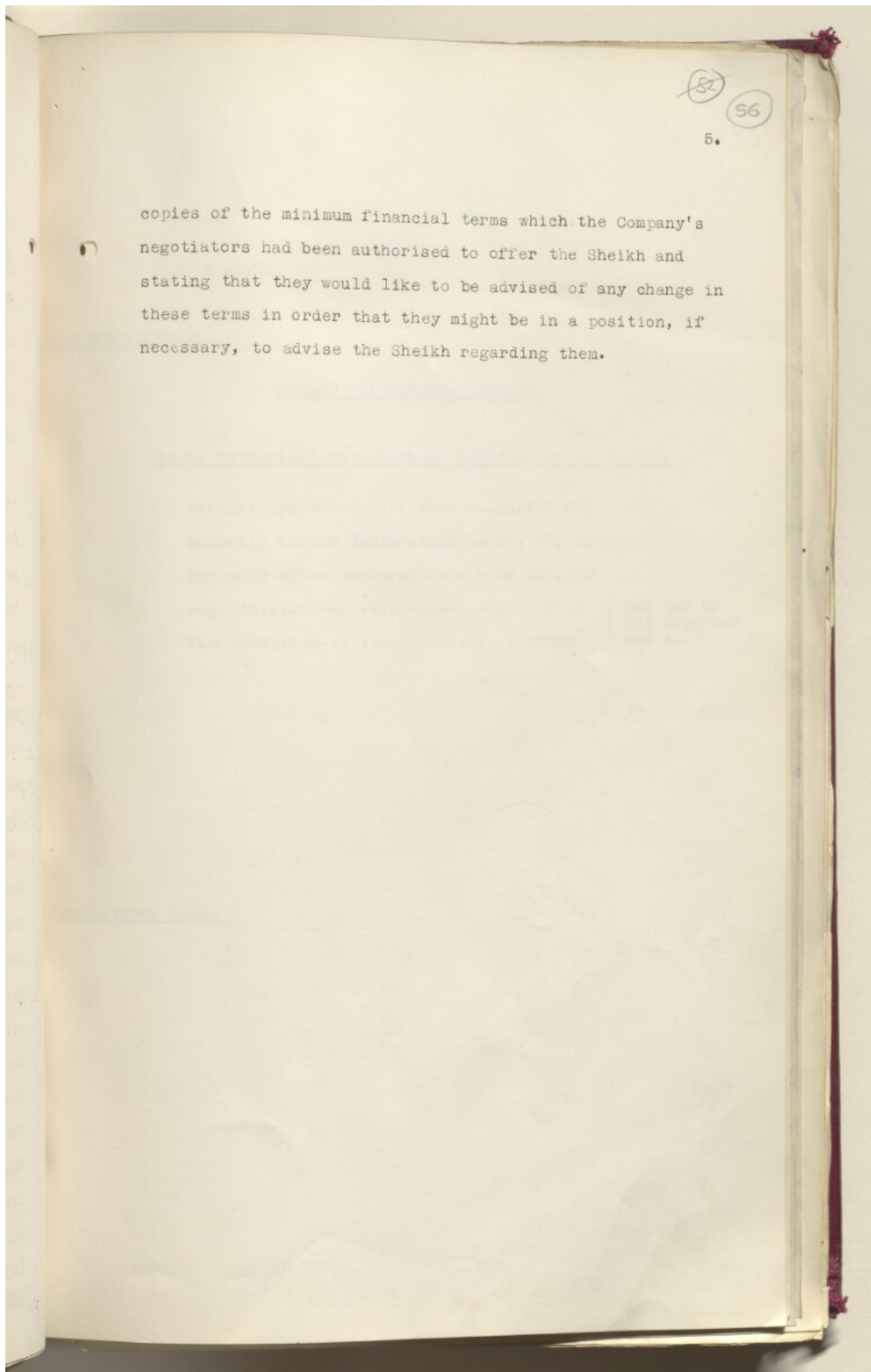
it had already appeared during the negotiations that the Sheikh was well aware of the difference between the two methods of calculation.

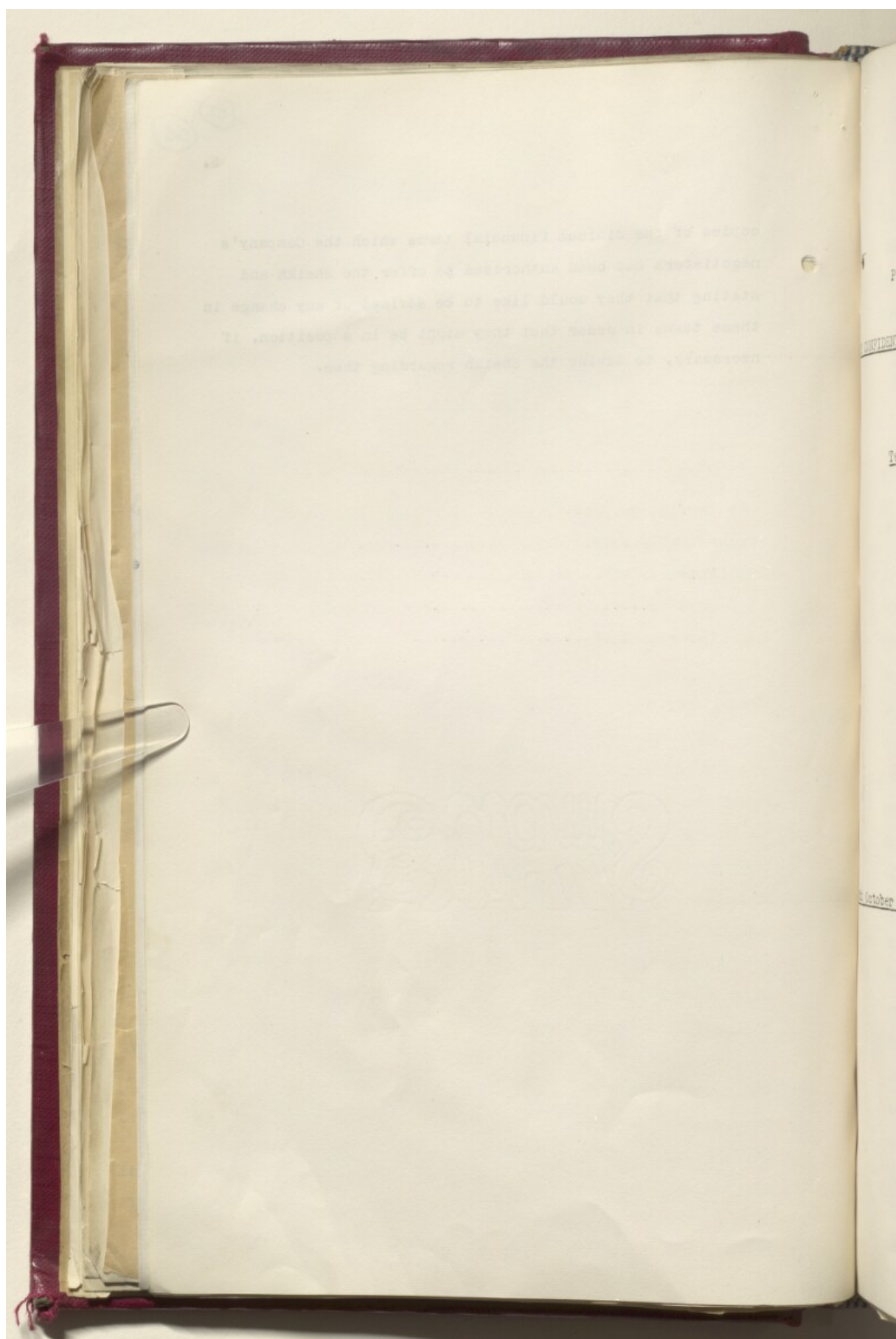
Mr. Walton thanked the Company's representatives for providing copies of the financial terms. His Majesty's Government would now be able to consider them with a view to advising the Sheikh.

In reply to a question by Mr. Stevens, Mr. Walton said that the India Office had had no news from Koweit about the Company's negotiations except as regards the question of the appointment of the Chief Local Representative, the position in regard to which had been explained in his letter of 13th October to Mr. Fraser (P.Z.6333/34).

Mr. Stevens then reverted to the terms of Mr. Walton's letter of 13th October to Mr. Kemp (P.Z.6325/34) and suggested that, as it stood, it might mean that His Majesty's Government reserved the right to say what the financial terms of the Concession should be, which would be taking the commercial negotiations out of the hands of the Company and the Sheikh. Mr. Laithwaite explained that His Majesty's Government had no such intention. They had a responsibility to the Sheikhs in these matters. They could not, for example, allow an ignorant Sheikh to accept terms which were obviously against his own interests. In certain circumstances His Majesty's Government might have to advise a Sheikh in a matter of this kind whether the Sheikh asked for their advice or not. Mr. Stevens was quite satisfied with this explanation, and asked whether the India Office could let the Company have a letter explaining that what they desired was merely to be in a position to advise the Sheikh. It was agreed that the India Office should send a letter to the Company putting it on record that they had received
copies/









P.Z. 6645/34.

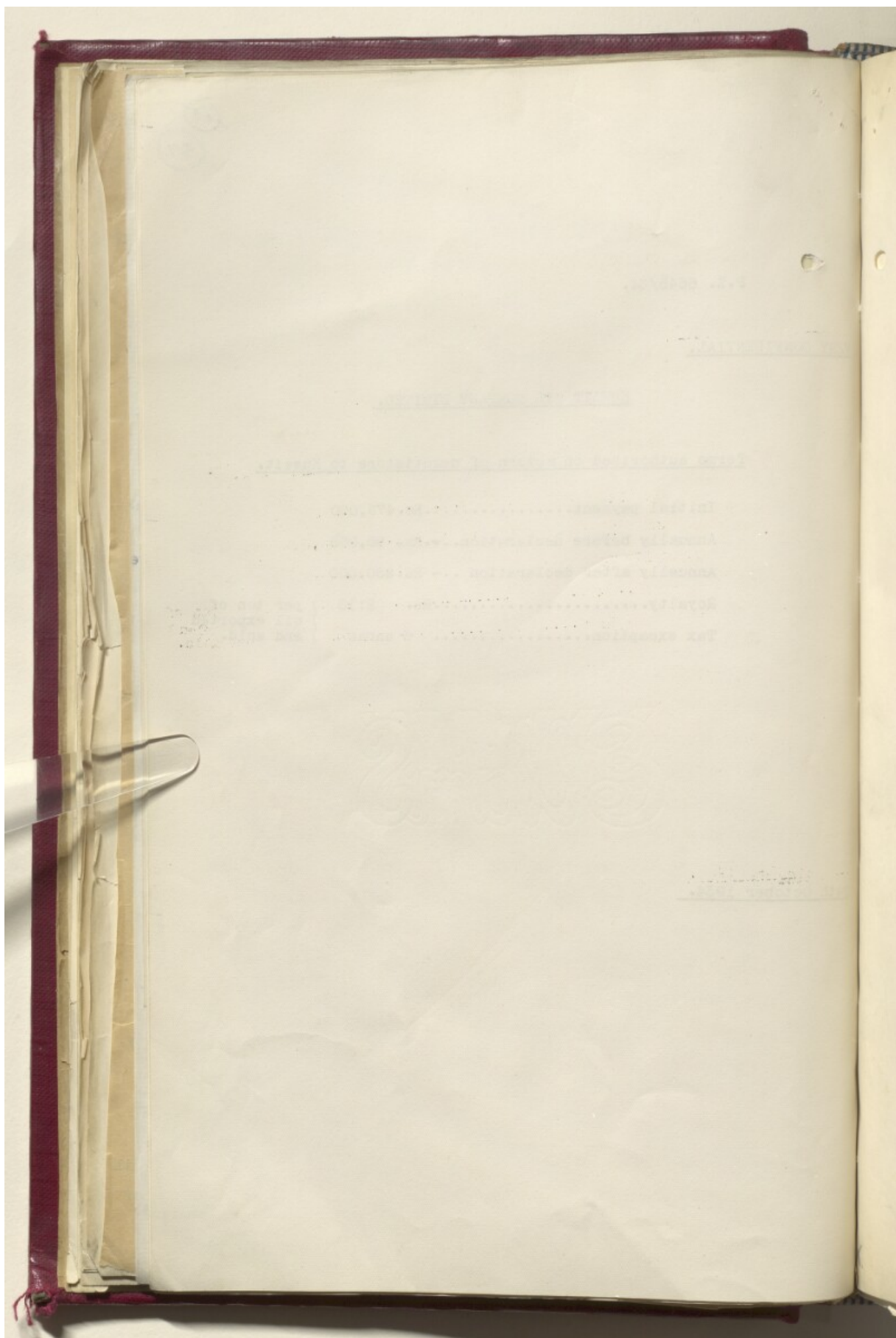
VERY CONFIDENTIAL.

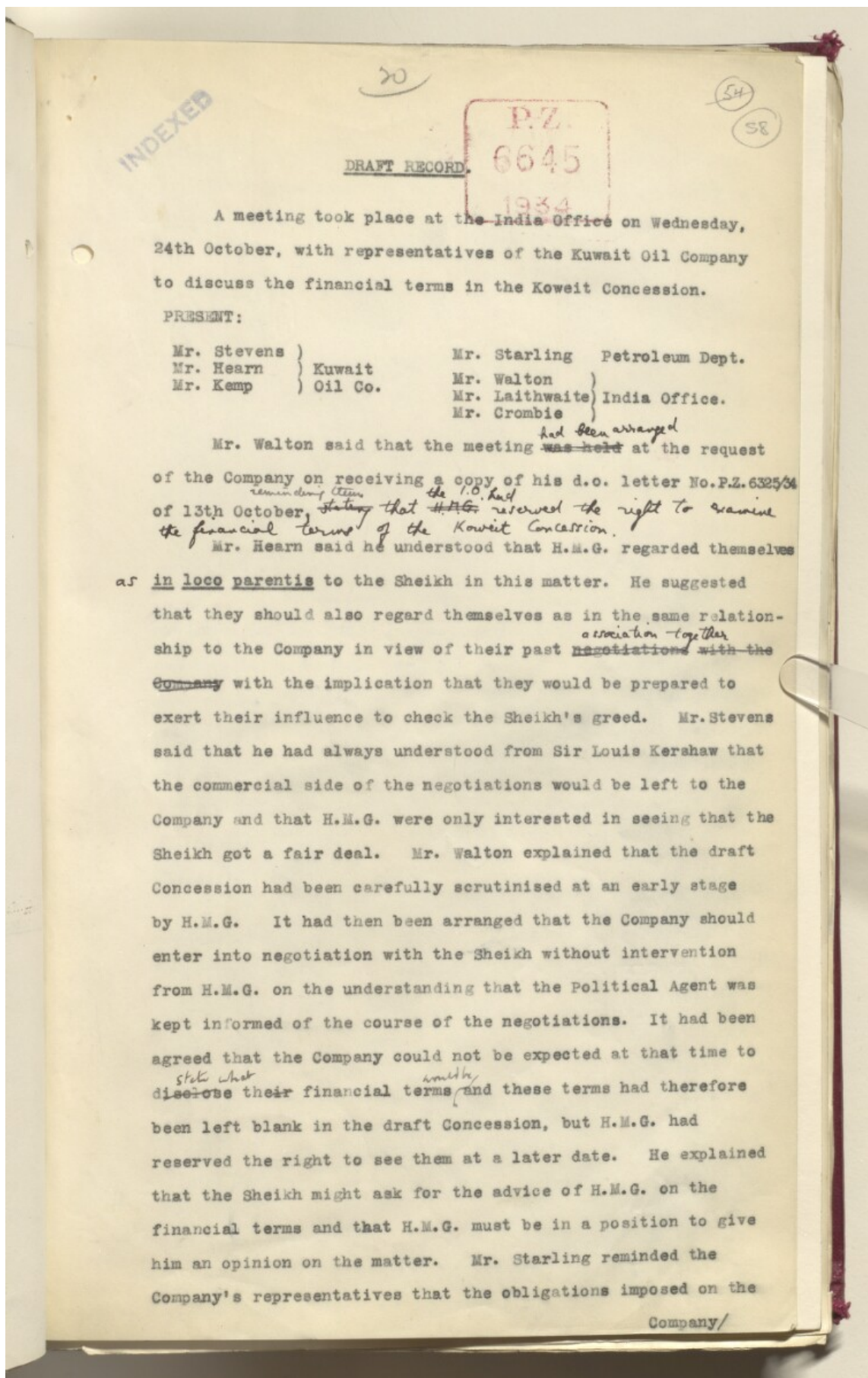
KUWAIT OIL COMPANY LIMITED.

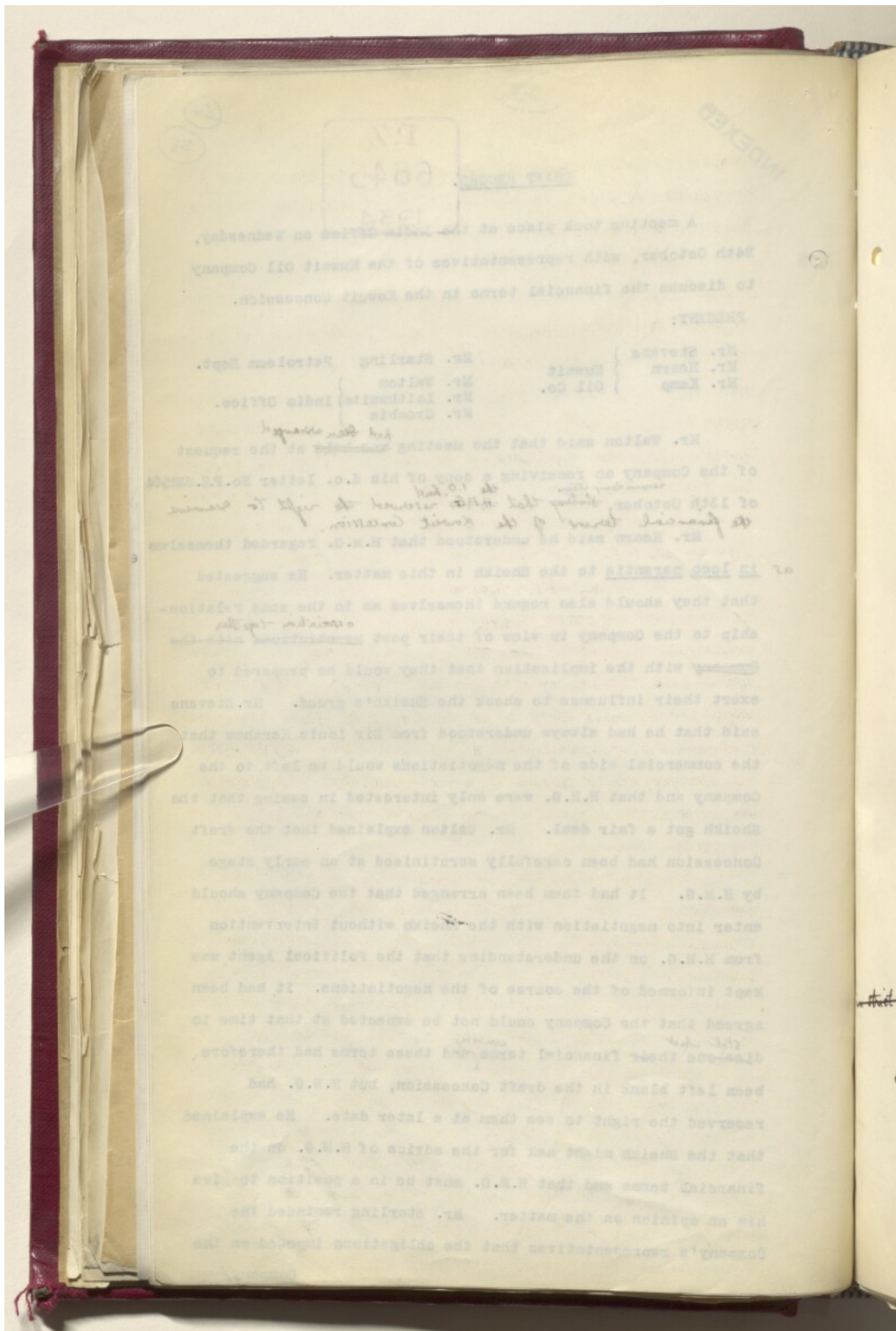
Terms authorised on return of negotiators to Kuwait.

Initial payment.....	Rs.475,000	
Annually before declaration...Rs.	95,000	
Annually after declaration ..-	Rs.250,000	
Royalty.....Rs.	2:13	} per ton of oil exported and sold.
Tax exemption.....	3 annas	

24th October 1934.









(58) (59)
2.

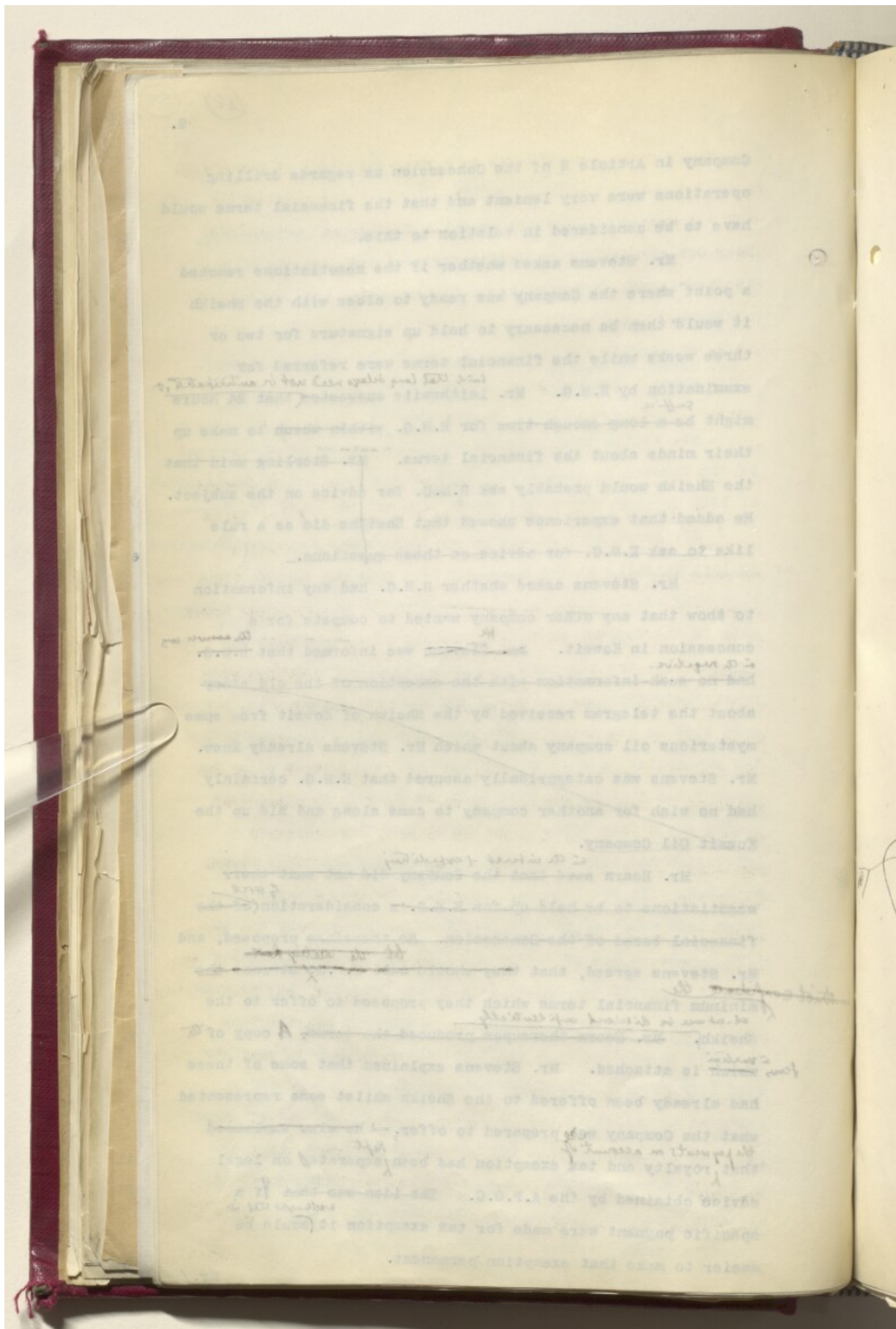
Company in Article 2 of the Concession as regards drilling operations were very lenient and that the financial terms would have to be considered in relation to this.

Mr. Stevens asked whether if the negotiations reached a point where the Company was ready to close with the Sheikh it would then be necessary to hold up signature for two or three weeks while the financial terms were referred for examination by H.M.G. ^{said that long delays need not be anticipated, or} Mr. Laithwaite suggested ^{suffice} that 24 hours might be a long enough time for H.M.G. within which to make up their minds about the financial terms. Mr. Sterling said that the Sheikh would probably ask H.M.G. for advice on the subject. He added that experience showed that Sheikhs did as a rule like to ask H.M.G. for advice on these questions.

Mr. Stevens asked whether H.M.G. had any information to show that any other company wanted to compete for a concession in Kuwait. ^{He} ~~Mr. Stevens~~ was informed that H.M.G. ^{the answer was} ~~was~~ ^{in the negative.} had no such information with the exception of the old story about the telegram received by the Sheikh of Kuwait from some mysterious oil company about which Mr. Stevens already knew. Mr. Stevens was categorically assured that H.M.G. certainly had no wish for another company to come along and bid up the Kuwait Oil Company.

^{in the interest of expediency} Mr. Hearn said that the Company did not want their negotiations to be held up for H.M.G.'s consideration ^{of the} financial terms of the Concession. ^{He} ~~He~~ therefore proposed, and ^{let the meeting know} Mr. Stevens agreed, that they should tell H.M.G. at once the minimum financial terms which they proposed to offer to the Sheikh. ^{in strict confidence the} ~~Mr. Hearn thereupon produced the terms, A copy of the~~ ^{which is attached.} ~~which is attached.~~ Mr. Stevens explained that some of these had already been offered to the Sheikh whilst some represented what the Company ~~were~~ prepared to offer; ^{and he also explained} that ^{the payments on account of} royalty and tax exemption had been ^{kept} separated on legal advice obtained by the A.P.O.C. ^{The idea was that if a} ~~The idea was that if a~~ specific payment were made for tax exemption it ^{would be} easier to make that exemption permanent.

Mr. /



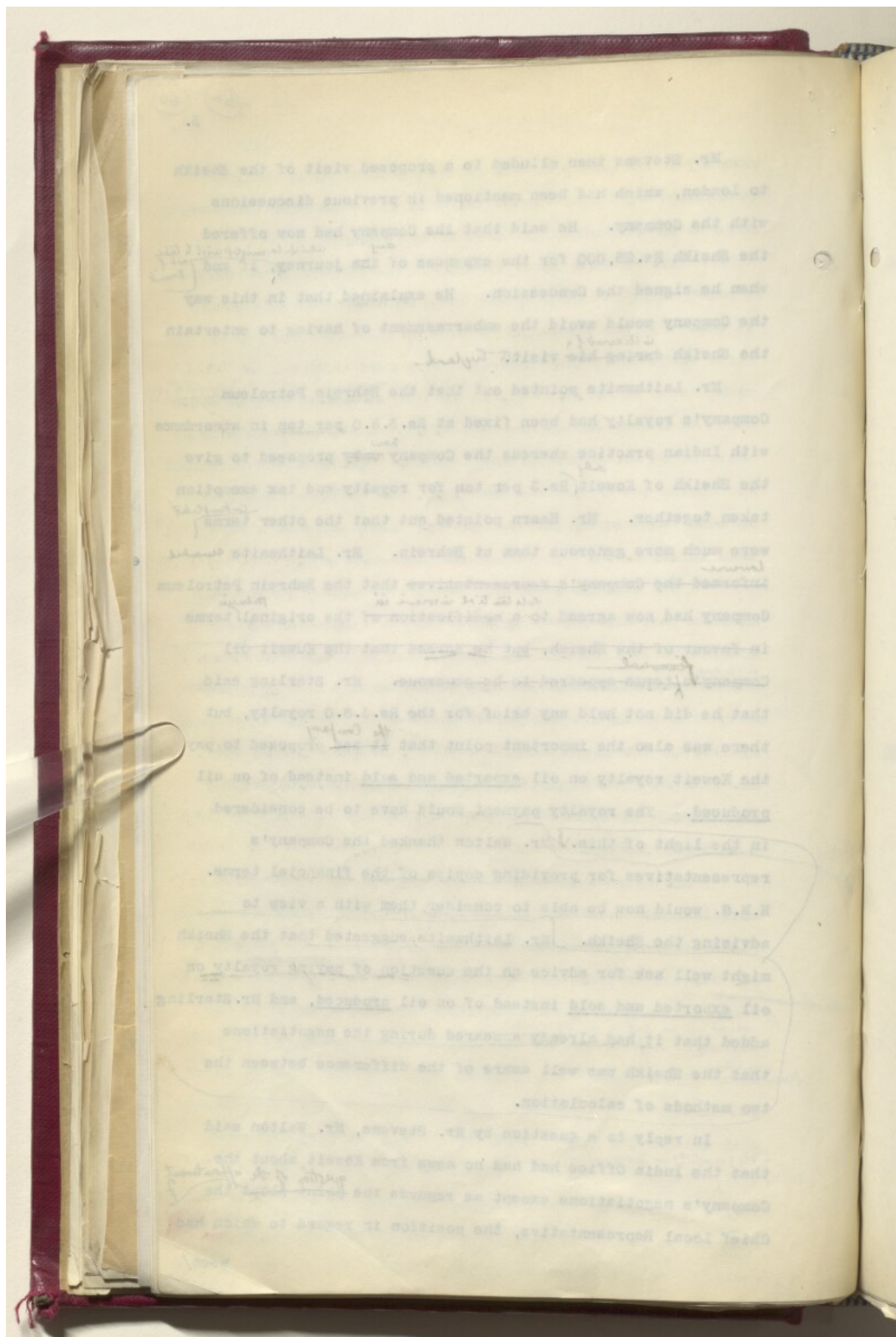


(56) (60)
3.

Mr. Stevens then alluded to a proposed visit of the Sheikh to London, which had been mentioned in previous discussions with the Company. He said that the Company had now offered the Sheikh Rs.25,000 for the expenses of the journey, ^{any} if and ^{which he might wish to take out of Kuwait} when he signed the Concession. He explained that in this way the Company would avoid the embarrassment of having to entertain the Sheikh ^{in the course of} during his visit ^{to England}.

Mr. Laithwaite pointed out that the Bahrain Petroleum Company's royalty had been fixed at Rs.3.8.0 per ton in accordance with Indian practice whereas the Company ^{now} ~~only~~ proposed to give the Sheikh of Koweit ^{only} (Rs.3 per ton for royalty and tax exemption taken together. Mr. Hearn pointed out that the other terms ^{consequently} were much more generous than at Bahrain. Mr. Laithwaite ^{reminded} ~~informed~~ the Company's representatives that the Bahrain Petroleum Company had now agreed to a modification ^{which was to be an increase in} of the original terms ^{provision} in favour of the Sheikh, but he agreed that the Kuwait Oil Company's ^{financial} ~~terms~~ appeared to be generous. Mr. Starling said that he did not hold any brief for the Rs.3.8.0 royalty, but there was also the important point that ^{the Company} it was proposed to pay the Koweit royalty on oil exported and sold instead of on oil produced. The royalty payment would have to be considered in the light of this. Mr. Walton thanked the Company's representatives for providing copies of the financial terms. H.M.G. would now be able to consider them with a view to advising the Sheikh. Mr. Laithwaite suggested that the Sheikh might well ask for advice on the question of paying royalty on oil exported and sold instead of on oil produced, and Mr. Starling added that it had already appeared during the negotiations that the Sheikh was well aware of the difference between the two methods of calculation.

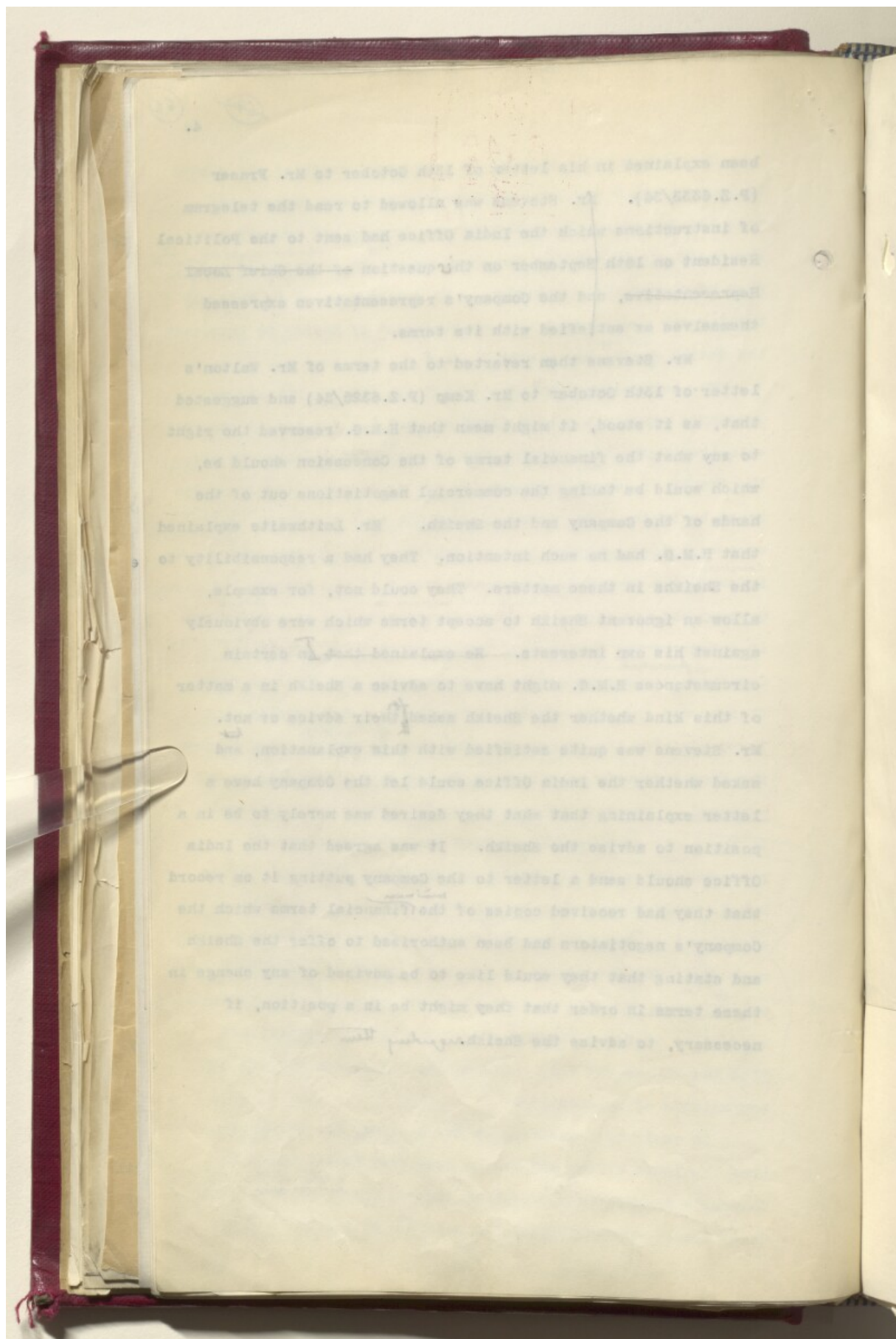
In reply to a question by Mr. Stevens, Mr. Walton said that the India Office had had no news from Koweit about the Company's negotiations except as regards the ^{question of the appointment of} ~~point about the~~ Chief Local Representative, the position in regard to which had been/

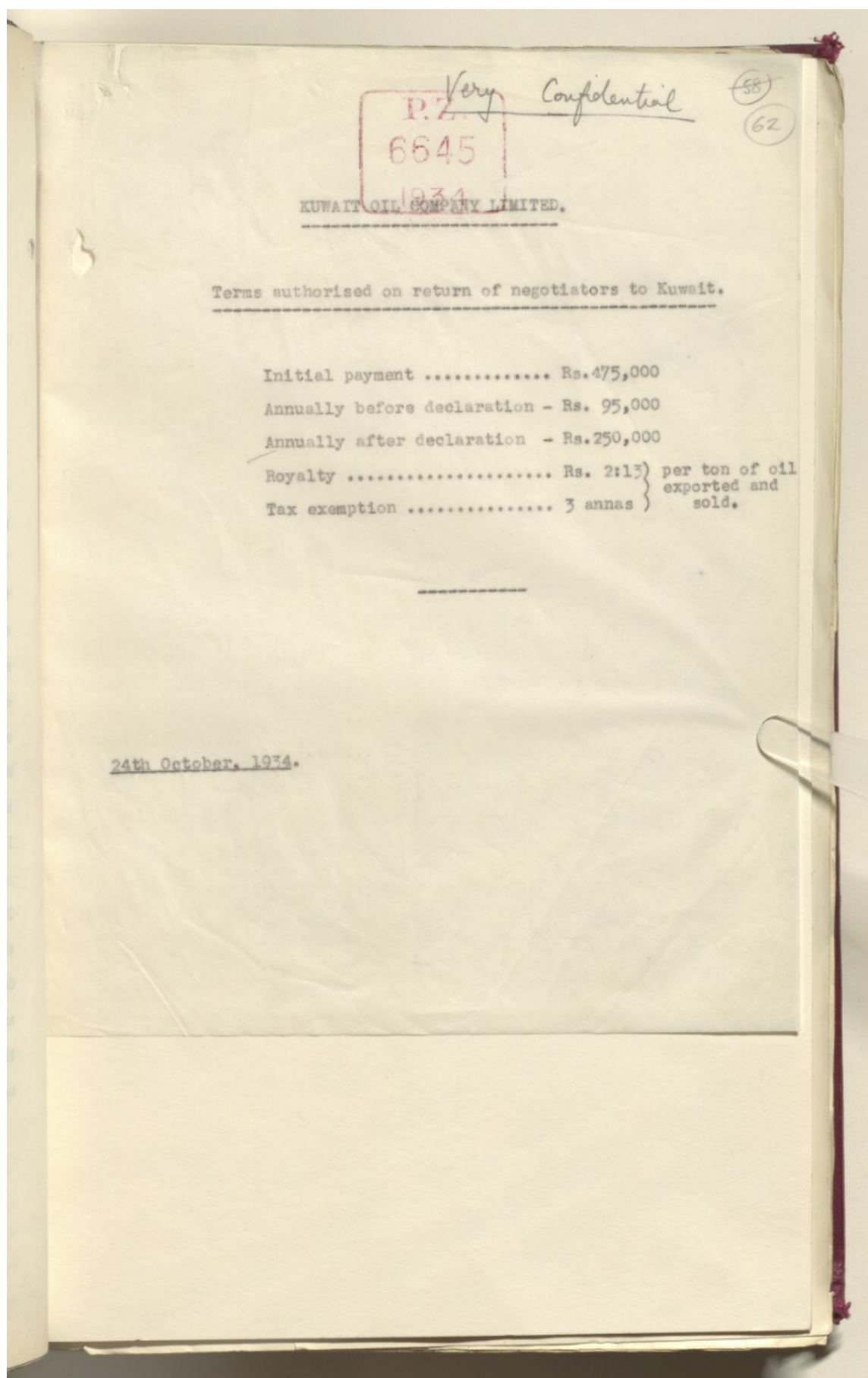


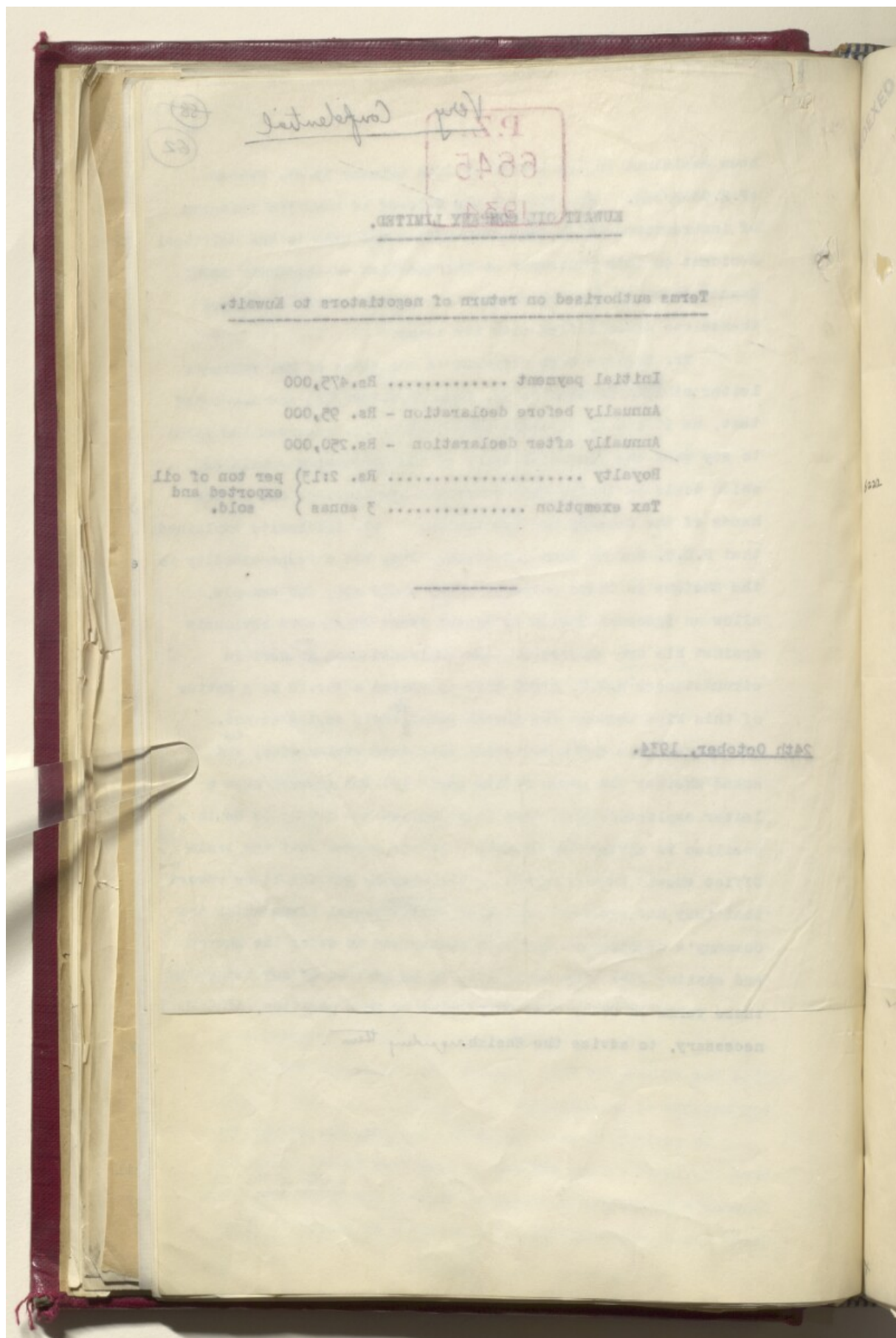


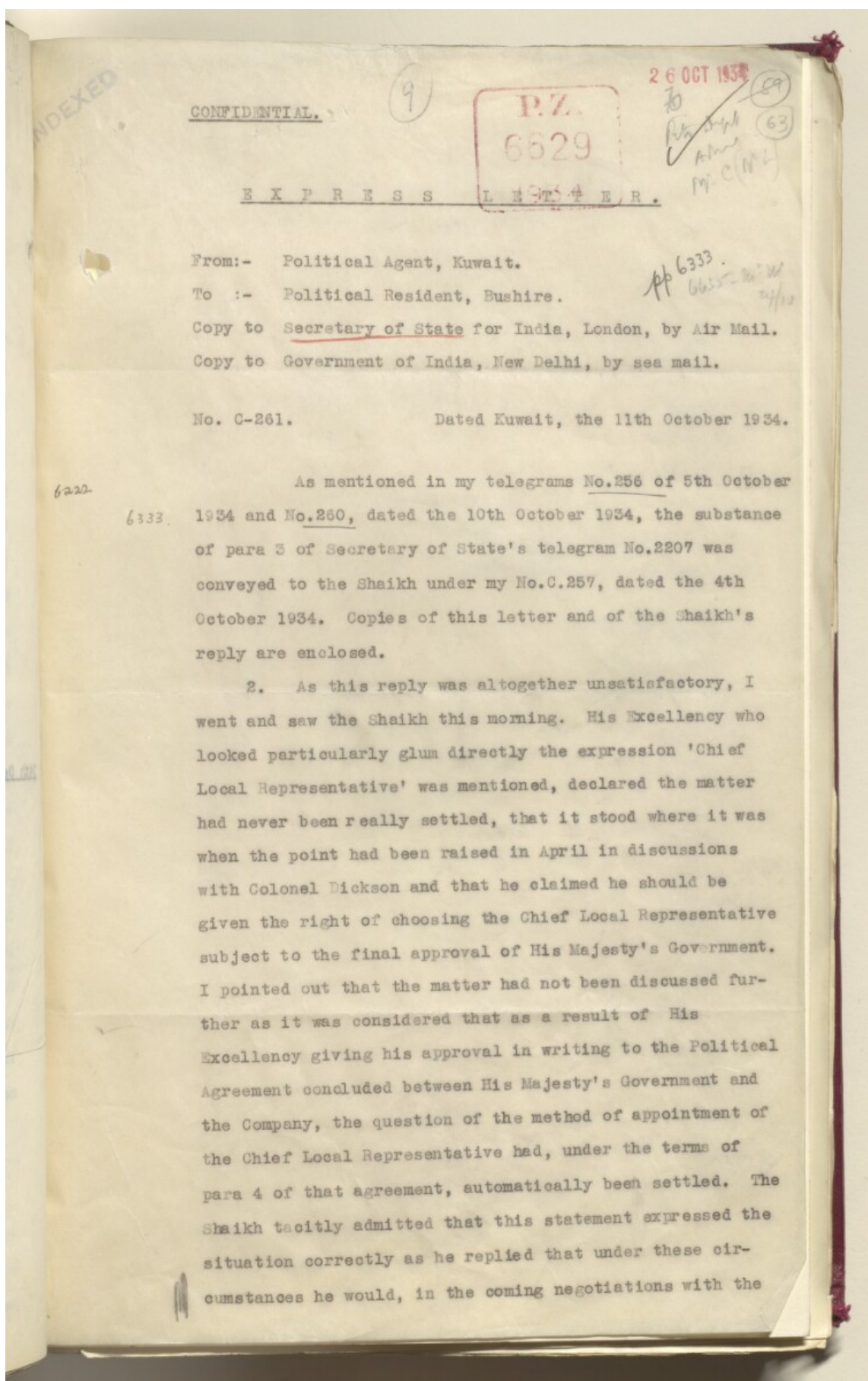
67 61
4.
been explained in his letter of 13th October to Mr. Fraser (P.Z.6333/34). Mr. Stevens was allowed to read the telegram of instructions which the India Office had sent to the Political Resident on 18th September on the question of the Chief Local Representative, and the Company's representatives expressed themselves as satisfied with its terms.

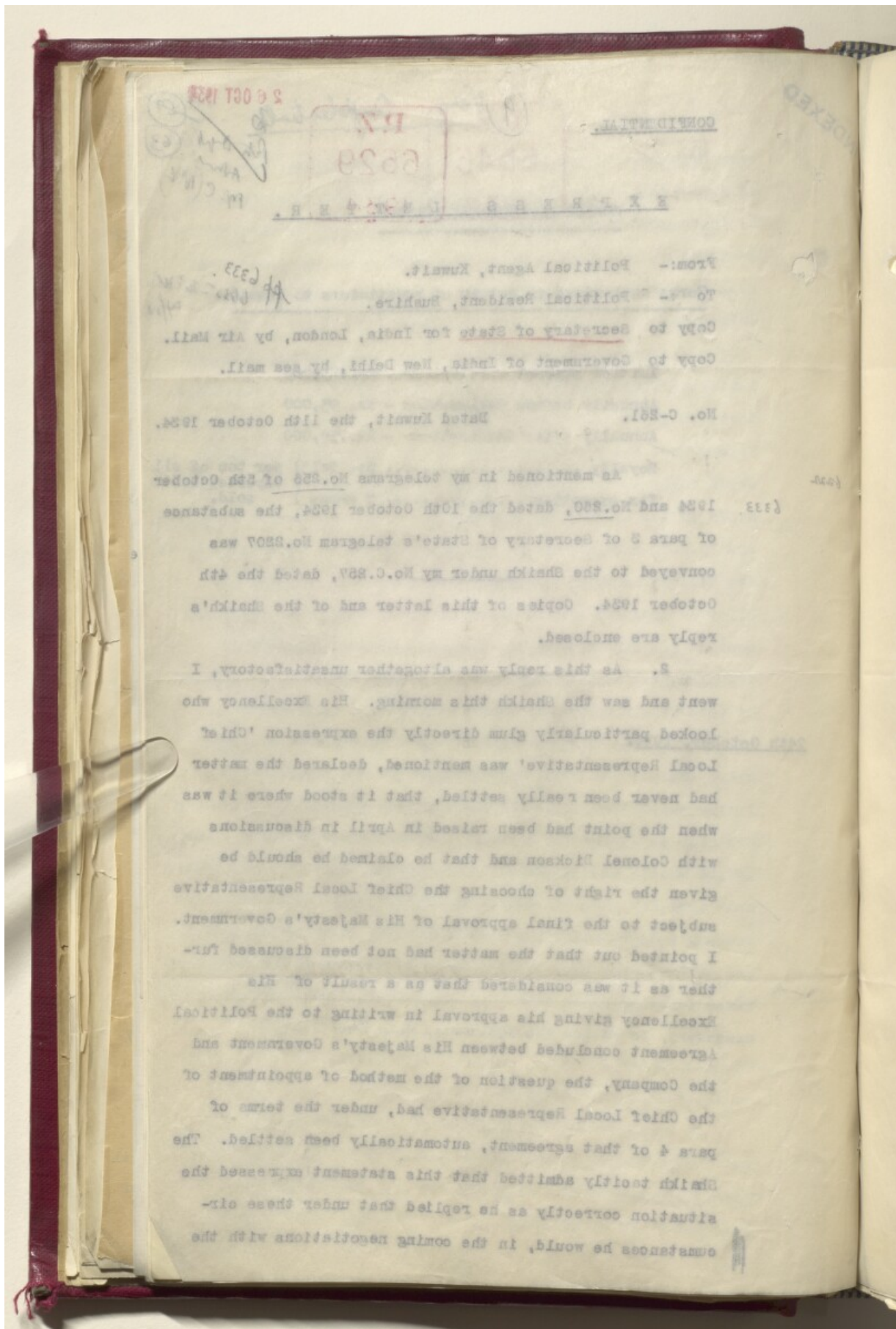
Mr. Stevens then reverted to the terms of Mr. Walton's letter of 13th October to Mr. Kemp (P.Z.6325/34) and suggested that, as it stood, it might mean that H.M.G. reserved the right to say what the financial terms of the Concession should be, which would be taking the commercial negotiations out of the hands of the Company and the Sheikh. Mr. Laithwaite explained that H.M.G. had no such intention. They had a responsibility to the Sheikhs in these matters. They could not, for example, allow an ignorant Sheikh to accept terms which were obviously against his own interests. He explained that in certain circumstances H.M.G. might have to advise a Sheikh in a matter of this kind whether the Sheikh asked for their advice or not. Mr. Stevens was quite satisfied with this explanation, and asked whether the India Office could let the Company have a letter explaining that what they desired was merely to be in a position to advise the Sheikh. It was agreed that the India Office should send a letter to the Company putting it on record that they had received copies of the ^{minimum} financial terms which the Company's negotiators had been authorised to offer the Sheikh and stating that they would like to be advised of any change in these terms in order that they might be in a position, if necessary, to advise the Sheikh *regarding them*.











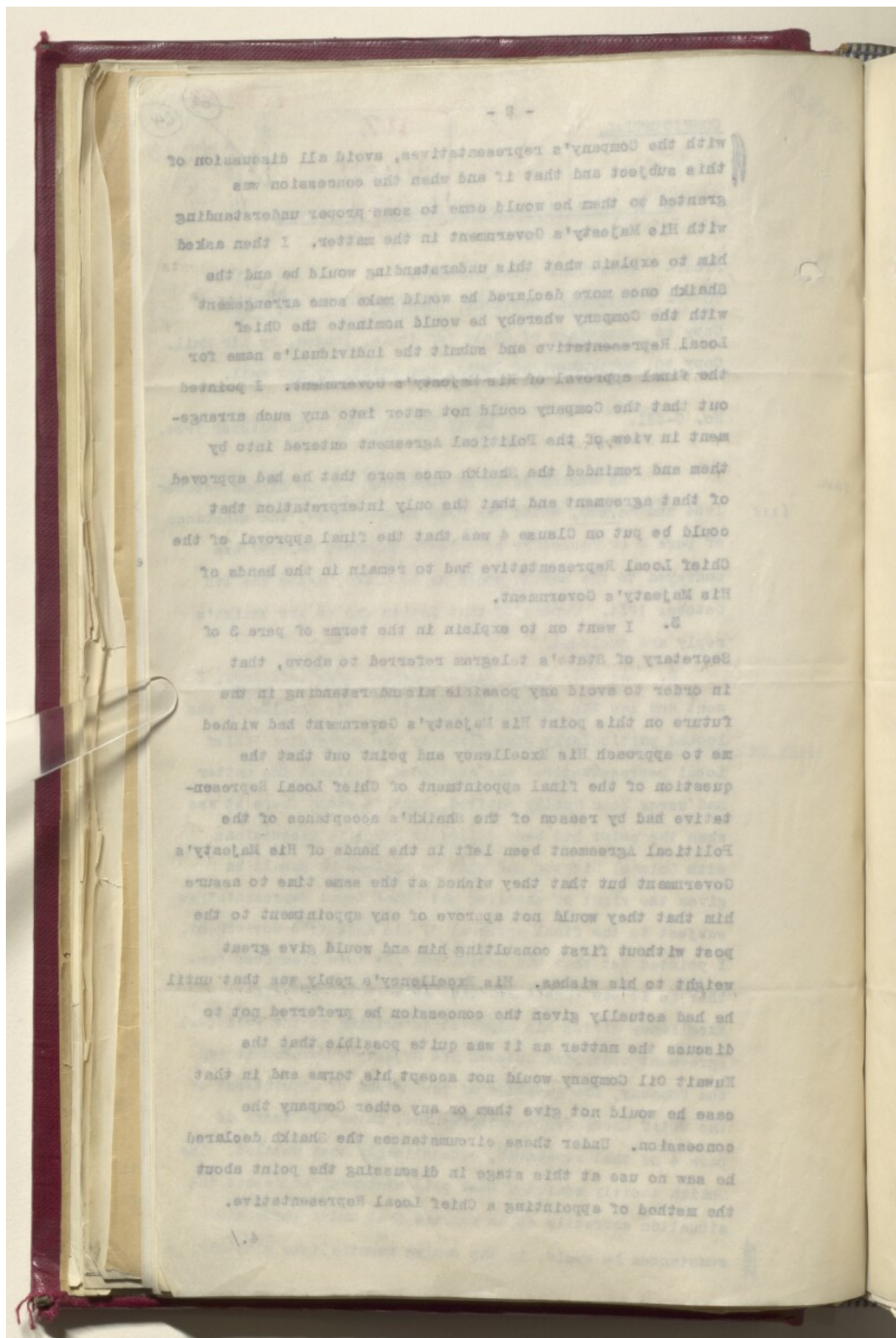


- 2 -

with the Company's representatives, avoid all discussion of this subject and that if and when the concession was granted to them he would come to some proper understanding with His Majesty's Government in the matter. I then asked him to explain what this understanding would be and the Shaikh once more declared he would make some arrangement with the Company whereby he would nominate the Chief Local Representative and submit the individual's name for the final approval of His Majesty's Government. I pointed out that the Company could not enter into any such arrangement in view of the Political Agreement entered into by them and reminded the Shaikh once more that he had approved of that agreement and that the only interpretation that could be put on Clause 4 was that the final approval of the Chief Local Representative had to remain in the hands of His Majesty's Government.

3. I went on to explain in the terms of para 3 of Secretary of State's telegram referred to above, that in order to avoid any possible misunderstanding in the future on this point His Majesty's Government had wished me to approach His Excellency and point out that the question of the final appointment of Chief Local Representative had by reason of the Shaikh's acceptance of the Political Agreement been left in the hands of His Majesty's Government but that they wished at the same time to assure him that they would not approve of any appointment to the post without first consulting him and would give great weight to his wishes. His Excellency's reply was that until he had actually given the concession he preferred not to discuss the matter as it was quite possible that the Kuwait Oil Company would not accept his terms and in that case he would not give them or any other Company the concession. Under these circumstances the Shaikh declared he saw no use at this stage in discussing the point about the method of appointing a Chief Local Representative.

4./





- 3 -

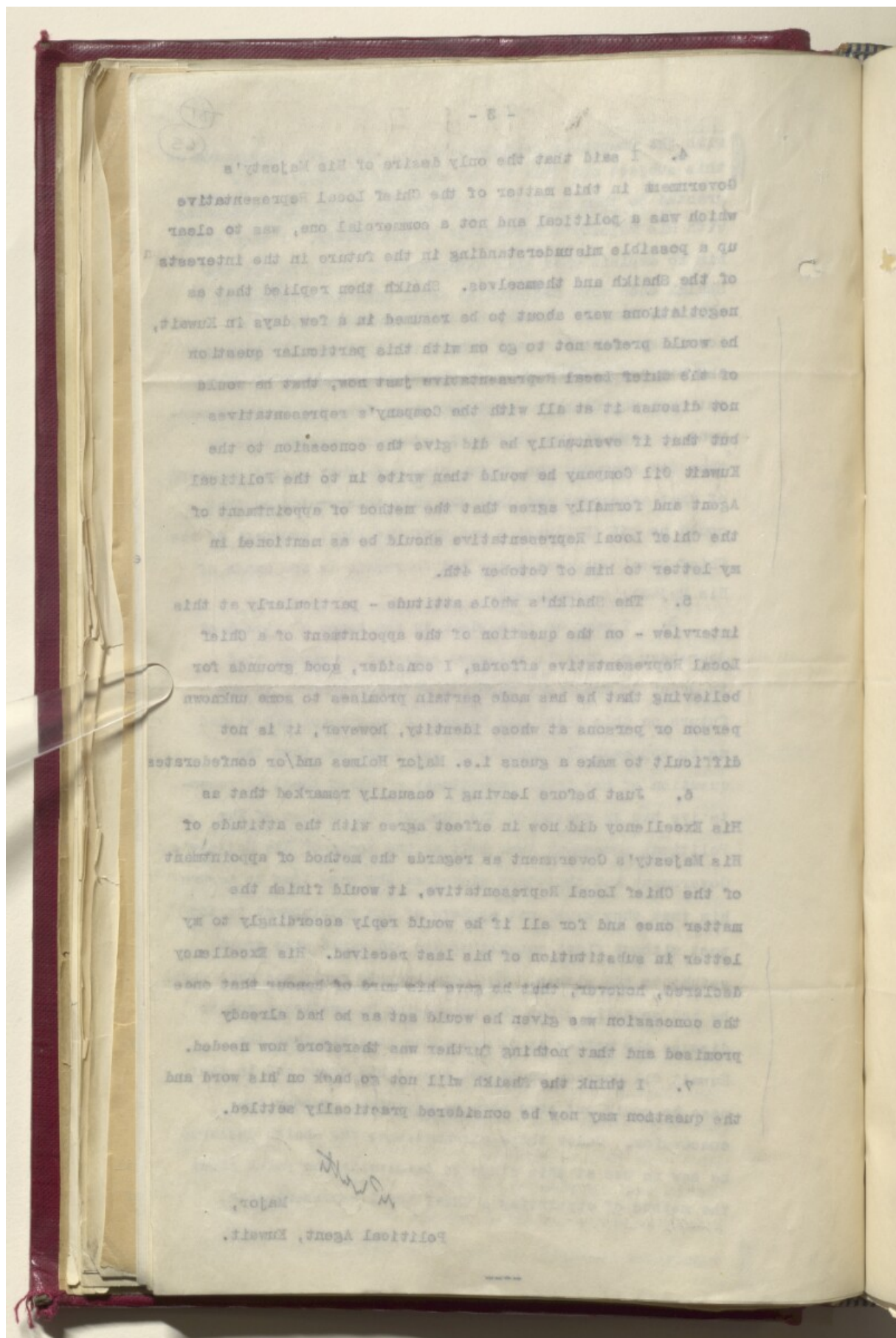
4. I said that the only desire of His Majesty's Government in this matter of the Chief Local Representative which was a political and not a commercial one, was to clear up a possible misunderstanding in the future in the interests of the Shaikh and themselves. Shaikh then replied that as negotiations were about to be resumed in a few days in Kuwait, he would prefer not to go on with this particular question of the Chief Local Representative just now, that he would not discuss it at all with the Company's representatives but that if eventually he did give the concession to the Kuwait Oil Company he would then write in to the Political Agent and formally agree that the method of appointment of the Chief Local Representative should be as mentioned in my letter to him of October 4th.

5. The Shaikh's whole attitude - particularly at this interview - on the question of the appointment of a Chief Local Representative affords, I consider, good grounds for believing that he has made certain promises to some unknown person or persons at whose identity, however, it is not difficult to make a guess i.e. Major Holmes and/or confederates

6. Just before leaving I casually remarked that as His Excellency did now in effect agree with the attitude of His Majesty's Government as regards the method of appointment of the Chief Local Representative, it would finish the matter once and for all if he would reply accordingly to my letter in substitution of his last received. His Excellency declared, however, that he gave his word of honour that once the concession was given he would act as he had already promised and that nothing further was therefore now needed.

7. I think the Shaikh will not go back on his word and the question may now be considered practically settled.

M. P. W. L.
Major,
Political Agent, Kuwait.





66 62
Translation of a confidential letter No.B-4/1747, dated the 28th Jamad Thani 1353, corresponding to the 8th October 1934, from His Excellency the Shaikh of Kuwait, to the Political Agent, Kuwait.

After Compliments,

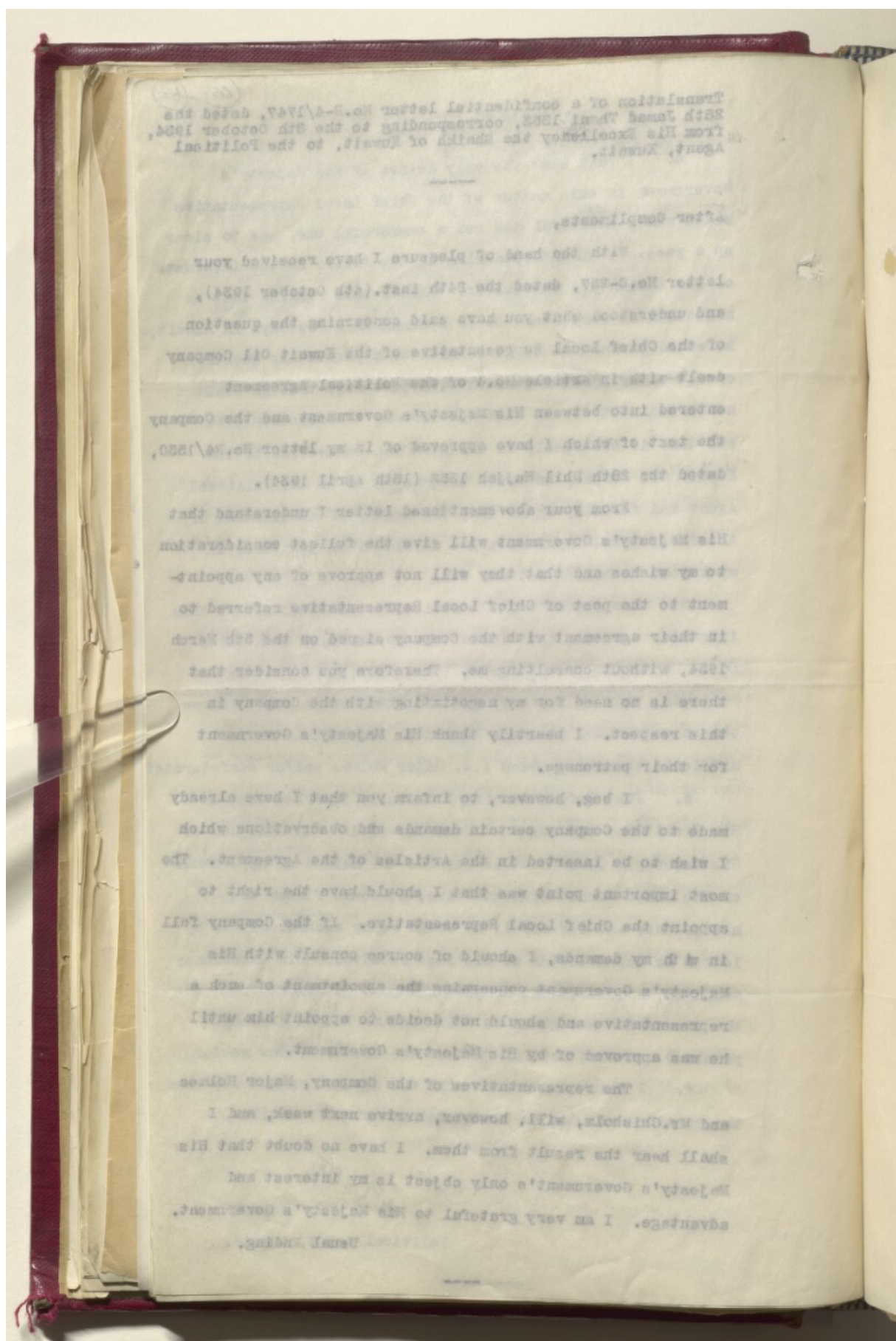
With the hand of pleasure I have received your letter No.C-257, dated the 24th inst.(4th October 1934), and understood what you have said concerning the question of the Chief Local Representative of the Kuwait Oil Company dealt with in Article No.4 of the Political Agreement entered into between His Majesty's Government and the Company the text of which I have approved of in my letter No.R4/1530, dated the 28th Dhil Hujjah 1352 (13th April 1934).

From your abovementioned letter I understand that His Majesty's Government will give the fullest consideration to my wishes and that they will not approve of any appointment to the post of Chief Local Representative referred to in their agreement with the Company signed on the 5th March 1934, without consulting me. Therefore you consider that there is no need for my negotiating with the Company in this respect. I heartily thank His Majesty's Government for their patronage.

I beg, however, to inform you that I have already made to the Company certain demands and observations which I wish to be inserted in the Articles of the Agreement. The most important point was that I should have the right to appoint the Chief Local Representative. If the Company fall in with my demands, I should of course consult with His Majesty's Government concerning the appointment of such a representative and should not decide to appoint him until he was approved of by His Majesty's Government.

The representatives of the Company, Major Holmes and Mr.Chisholm, will, however, arrive next week, and I shall hear the result from them. I have no doubt that His Majesty's Government's only object is my interest and advantage. I am very grateful to His Majesty's Government.

Usual Ending.





Copy of a confidential letter No.C-257, dated the 4th October 1934, from the Political Agent, Kuwait, to His Excellency the Shaikh of Kuwait.

After Compliments,

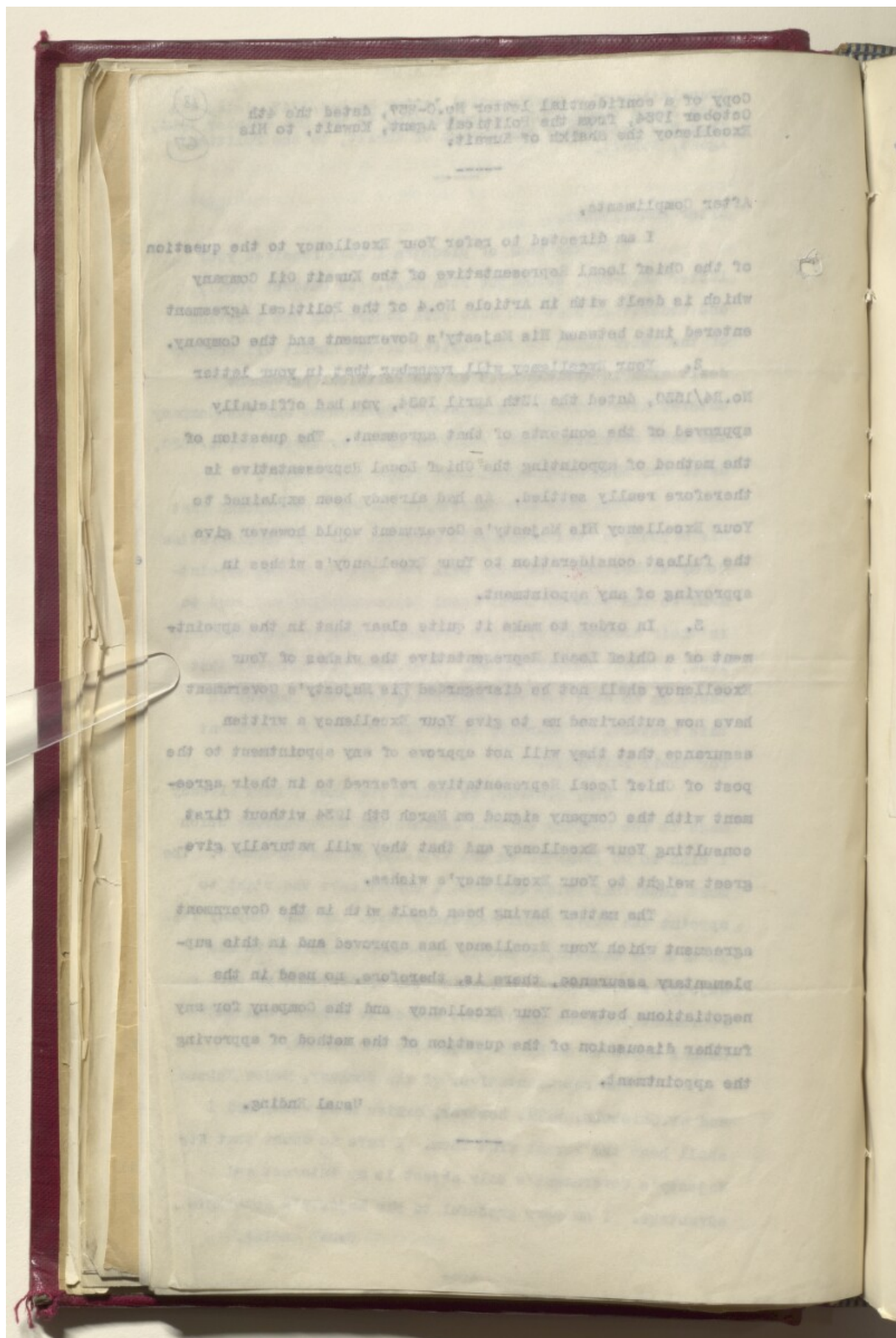
I am directed to refer Your Excellency to the question of the Chief Local Representative of the Kuwait Oil Company which is dealt with in Article No.4 of the Political Agreement entered into between His Majesty's Government and the Company.

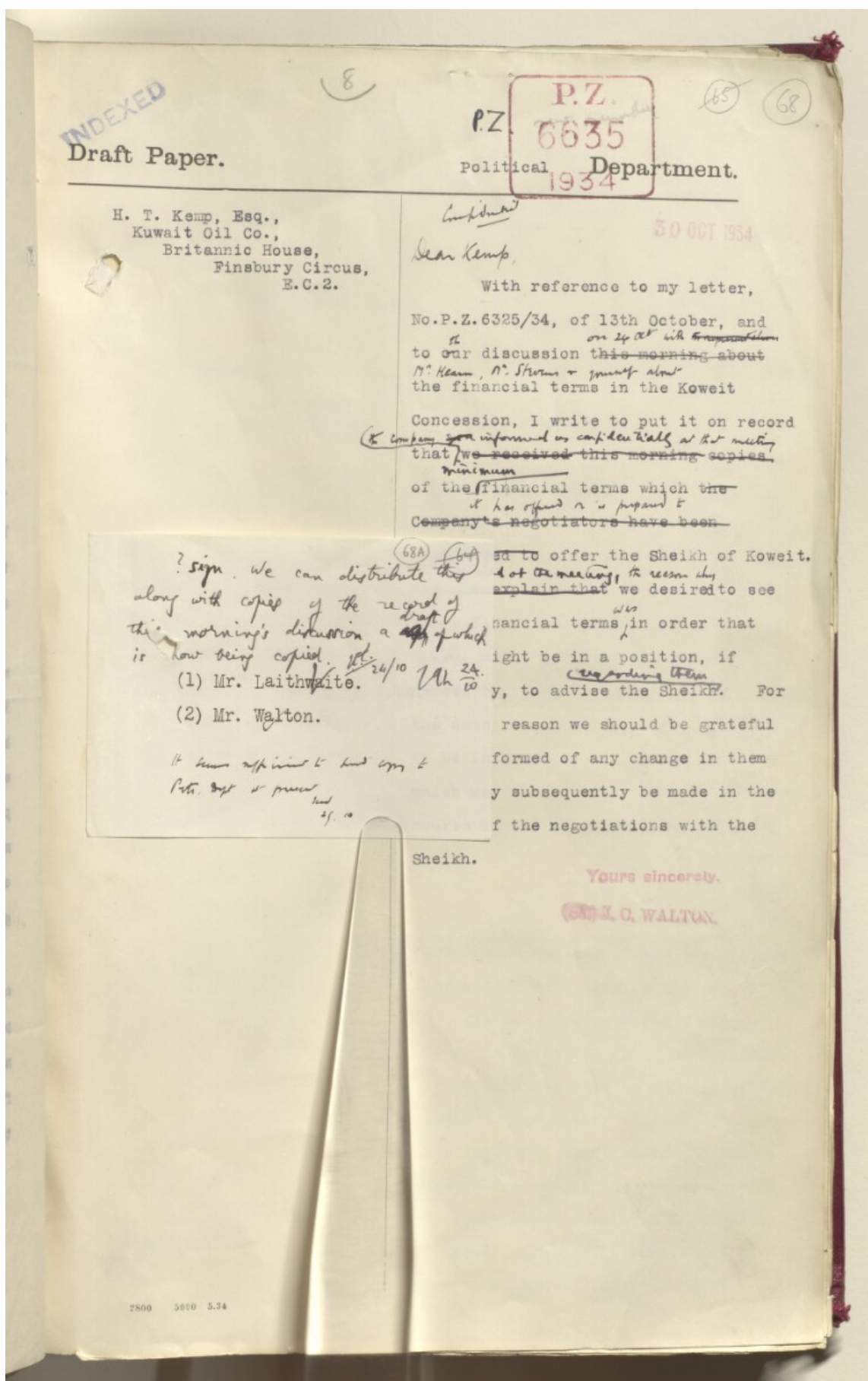
2. Your Excellency will remember that in your letter No.R4/1530, dated the 13th April 1934, you had officially approved of the contents of that agreement. The question of the method of appointing the Chief Local Representative is therefore really settled. As had already been explained to Your Excellency His Majesty's Government would however give the fullest consideration to Your Excellency's wishes in approving of any appointment.

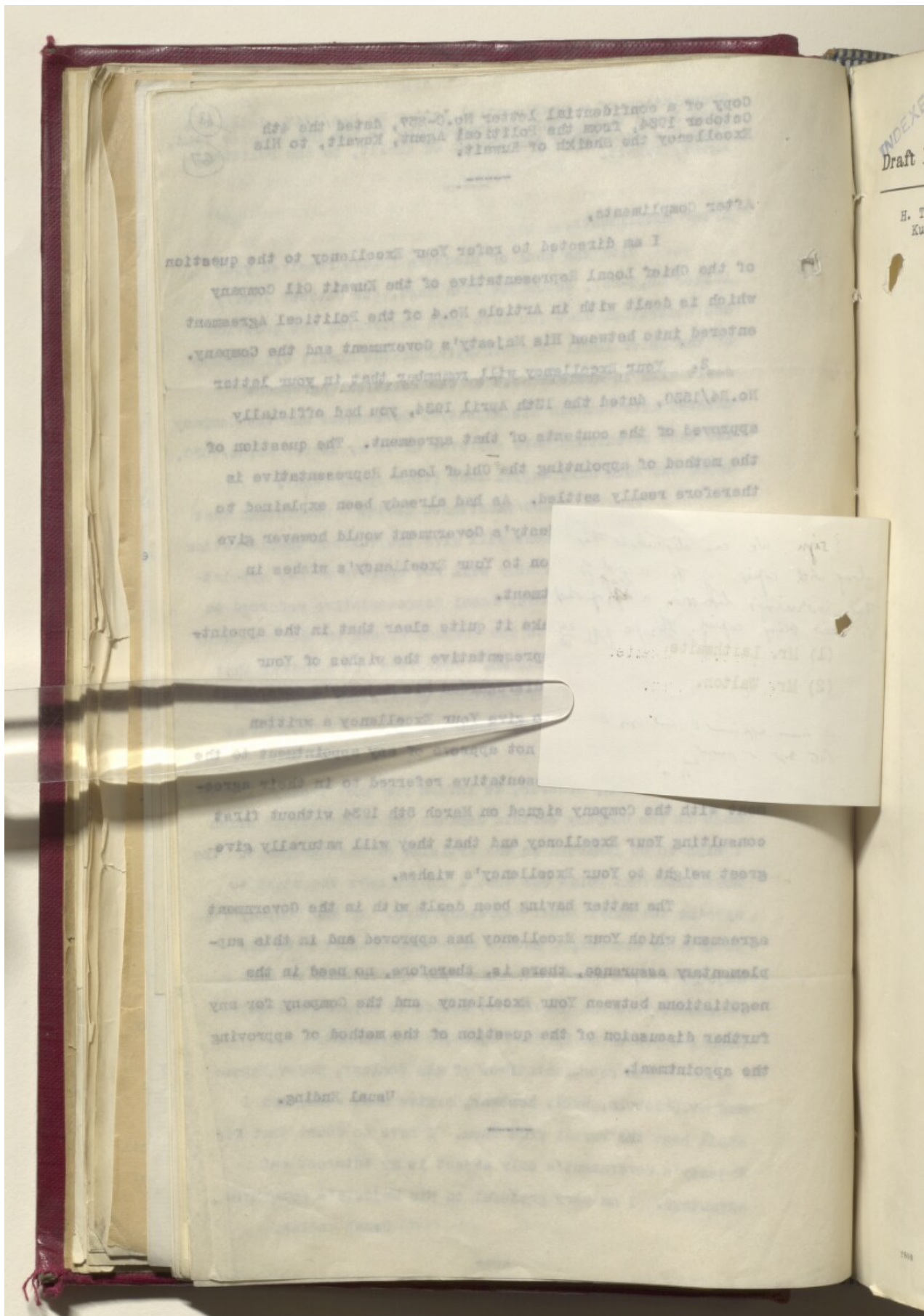
3. In order to make it quite clear that in the appointment of a Chief Local Representative the wishes of Your Excellency shall not be disregarded His Majesty's Government have now authorized me to give Your Excellency a written assurance that they will not approve of any appointment to the post of Chief Local Representative referred to in their agreement with the Company signed on March 5th 1934 without first consulting Your Excellency and that they will naturally give great weight to Your Excellency's wishes.

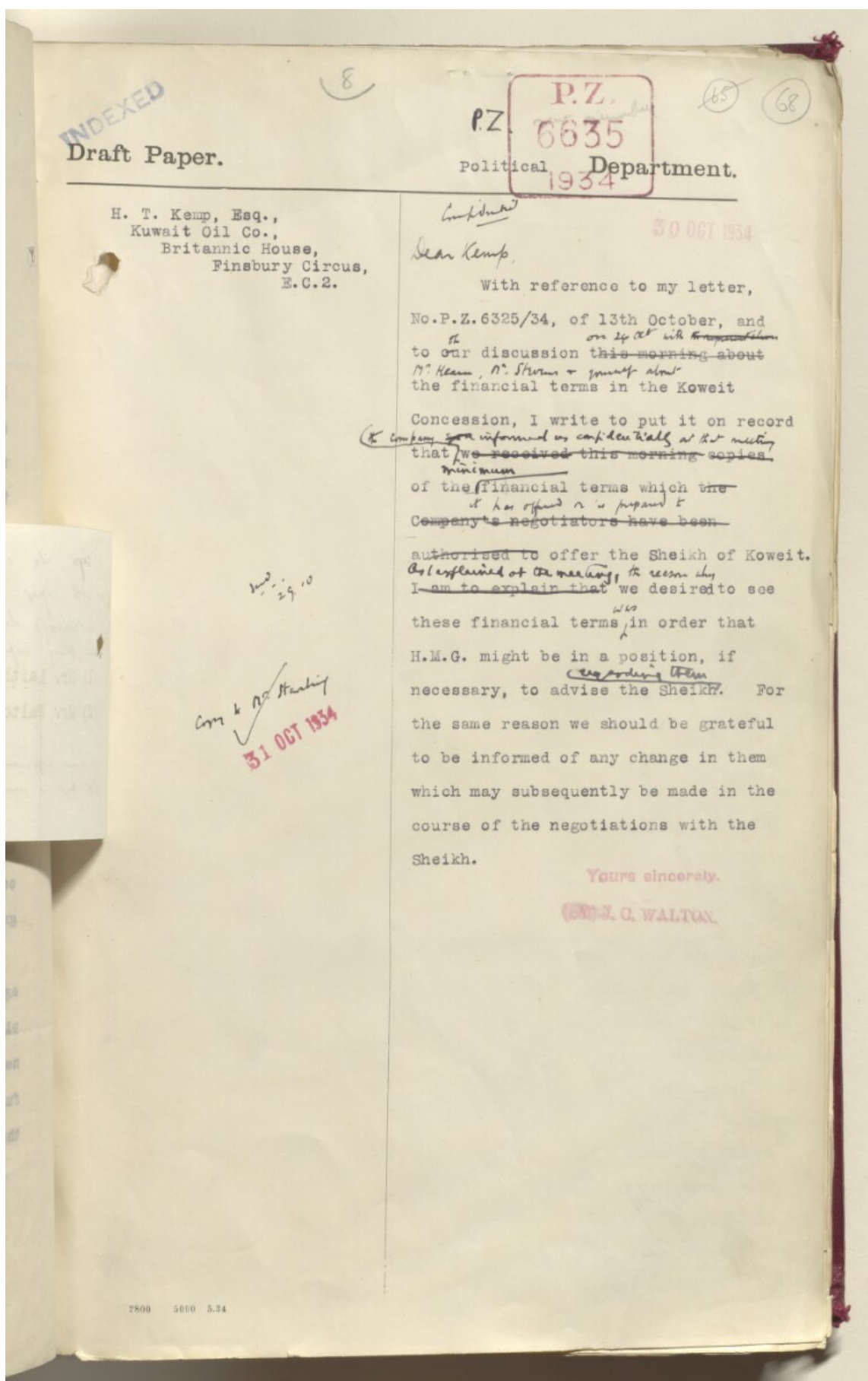
The matter having been dealt with in the Government agreement which Your Excellency has approved and in this supplementary assurance, there is, therefore, no need in the negotiations between Your Excellency and the Company for any further discussion of the question of the method of approving the appointment.

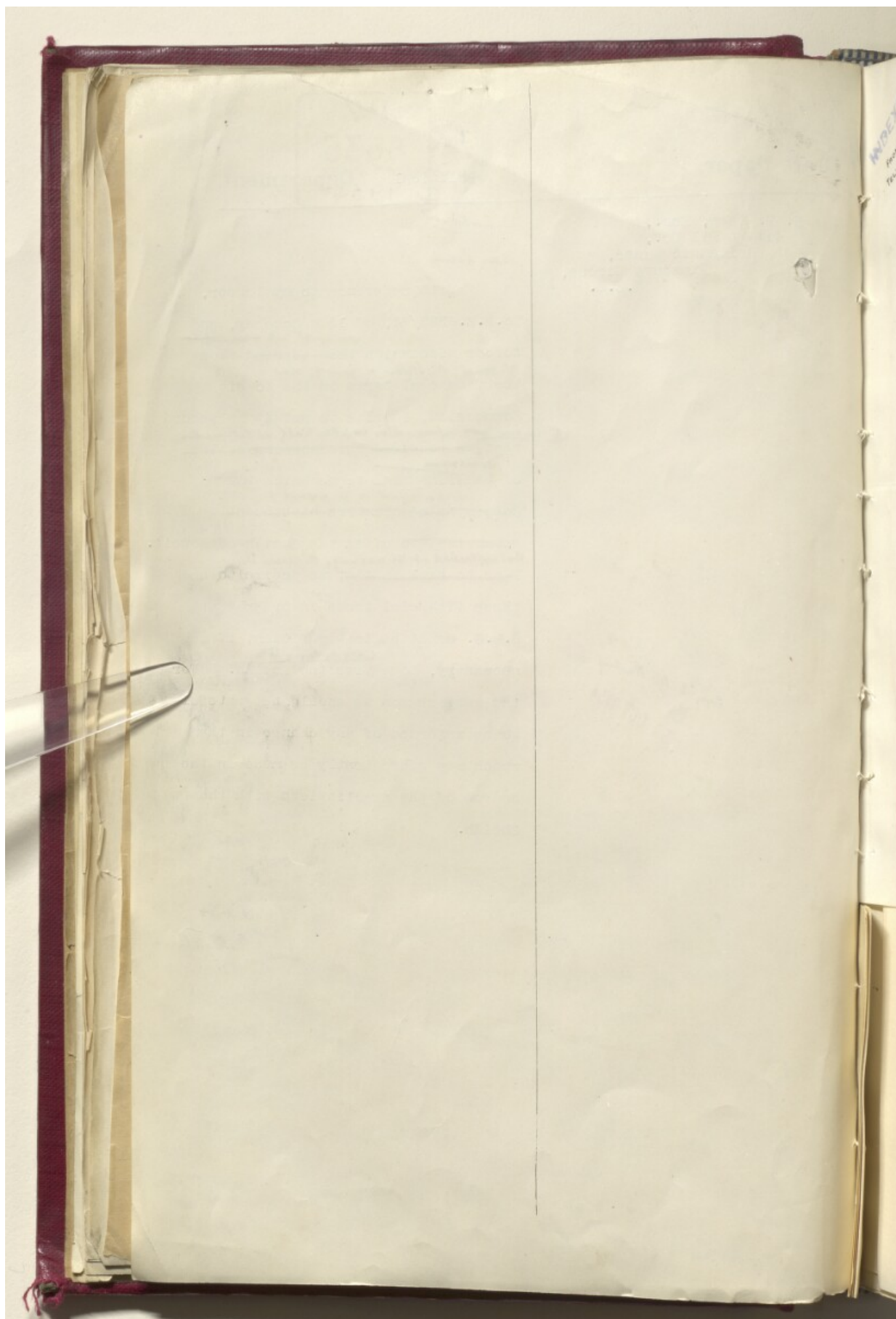
Usual Ending.

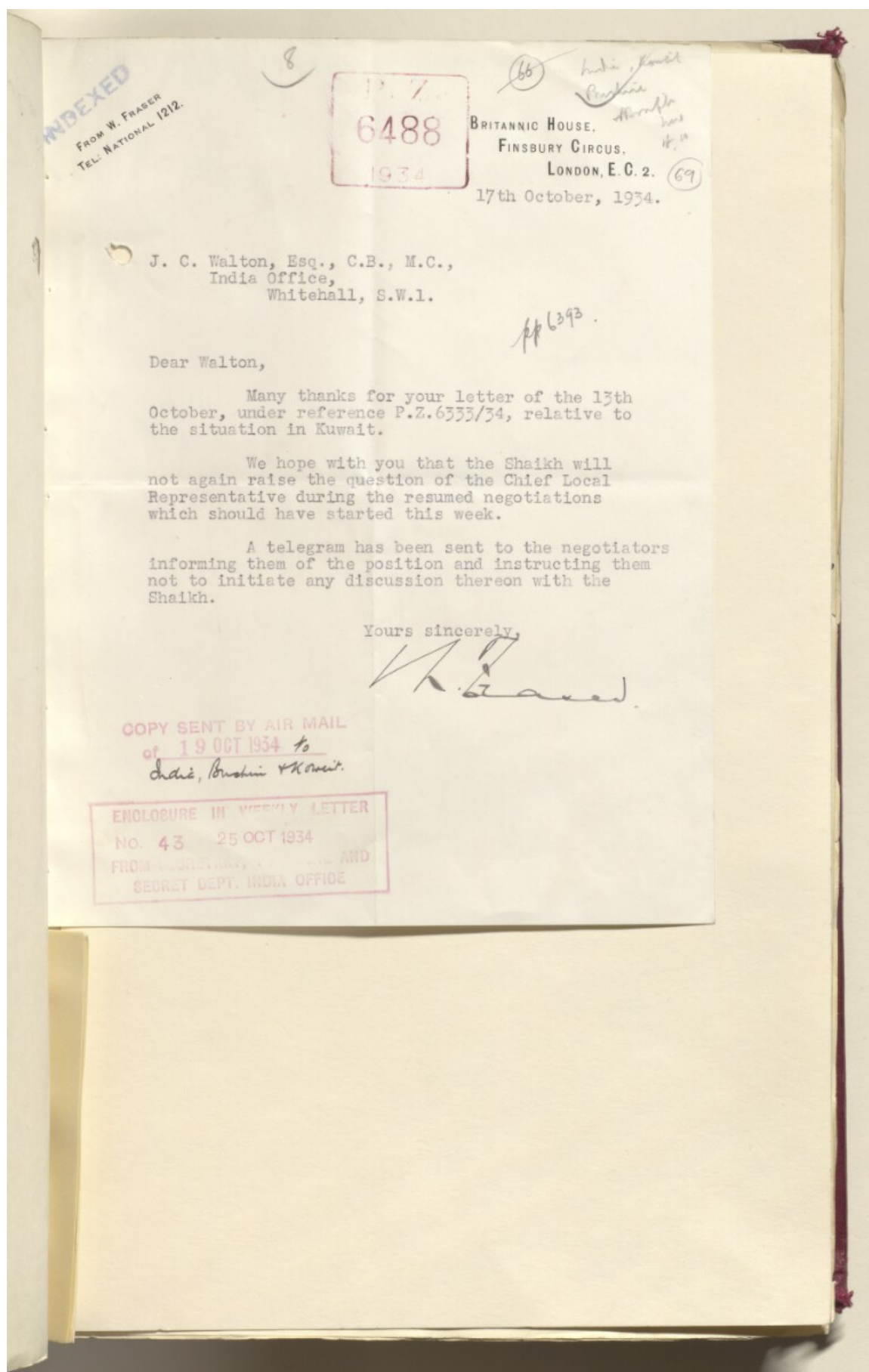


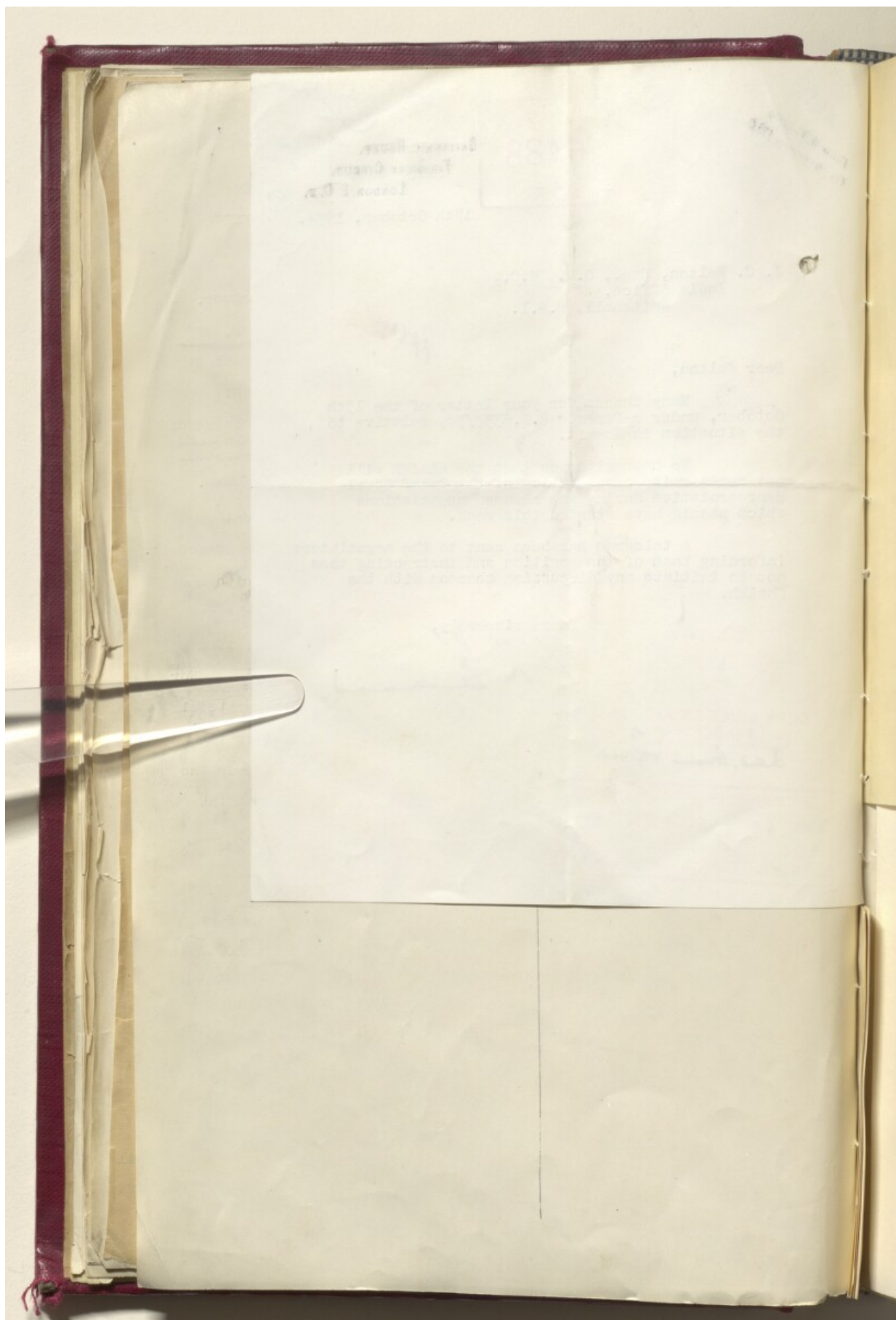


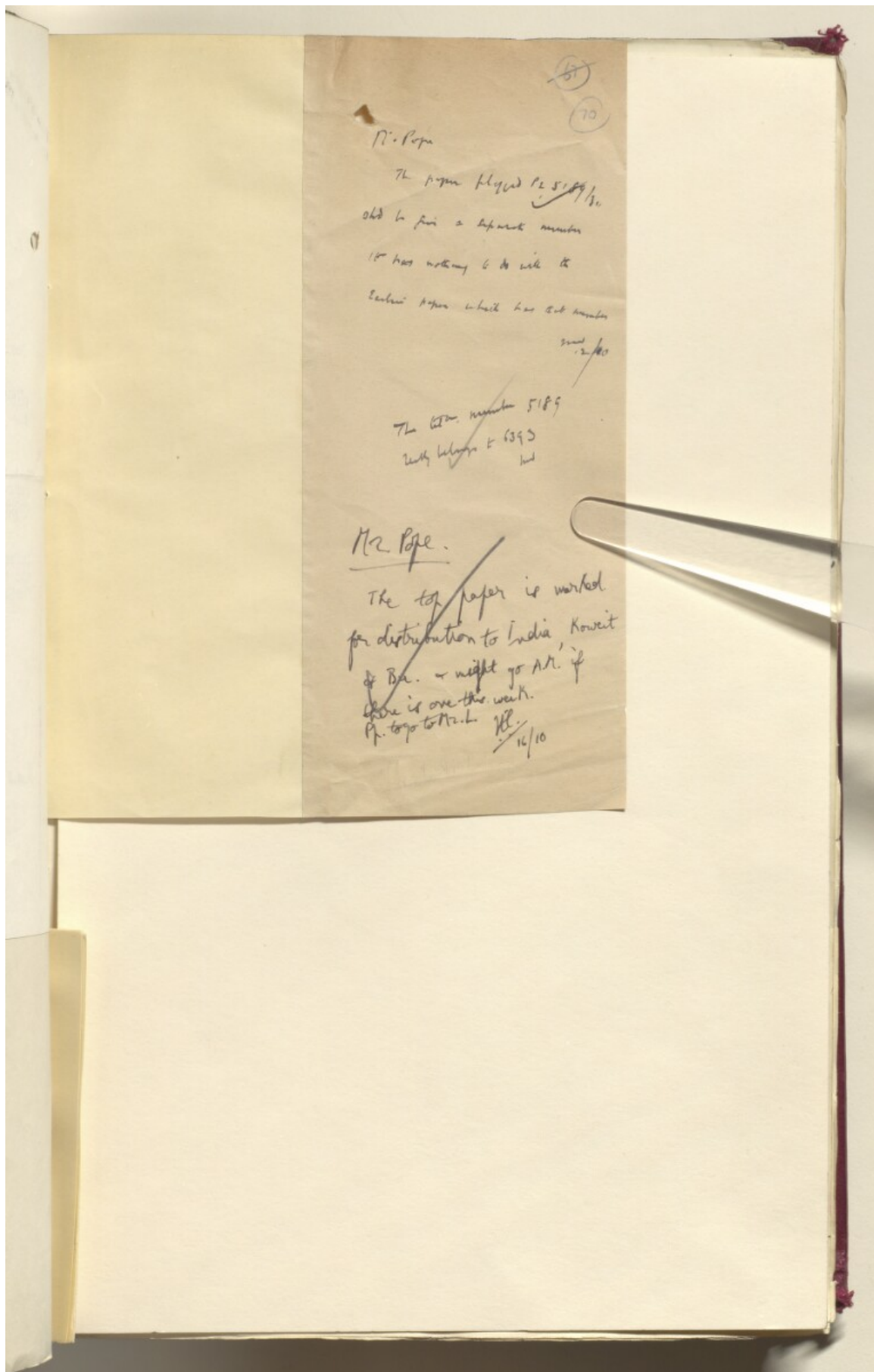


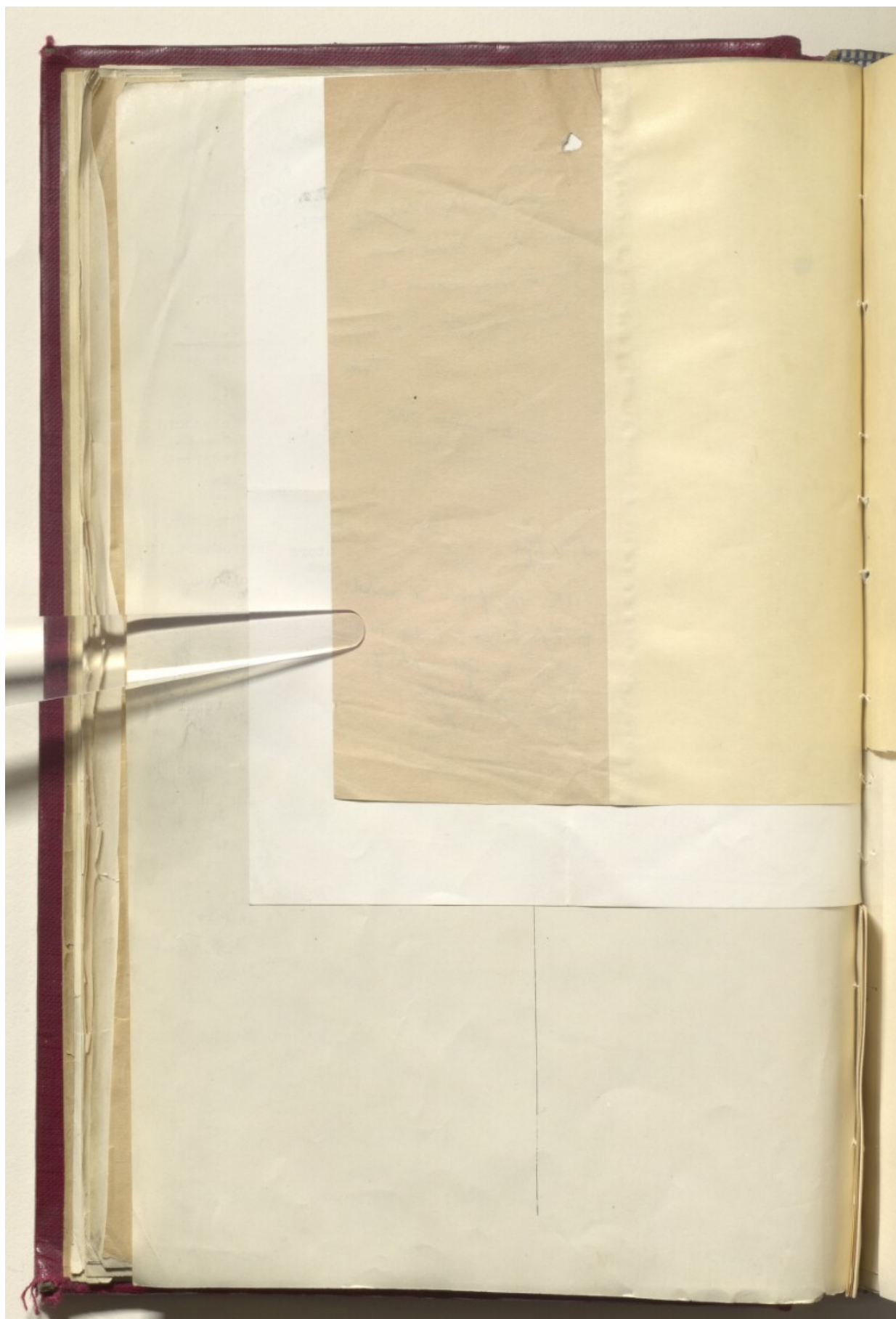


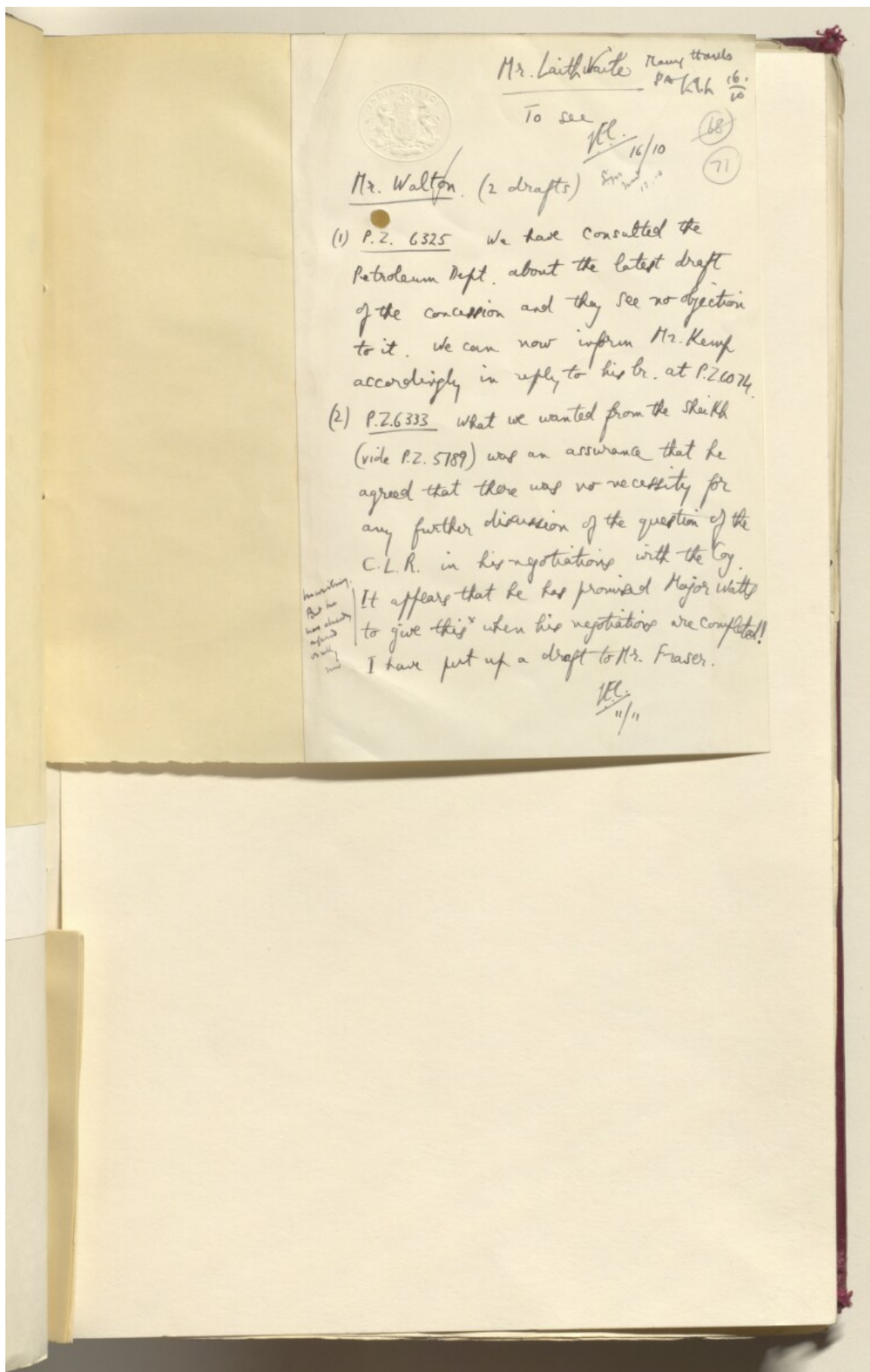


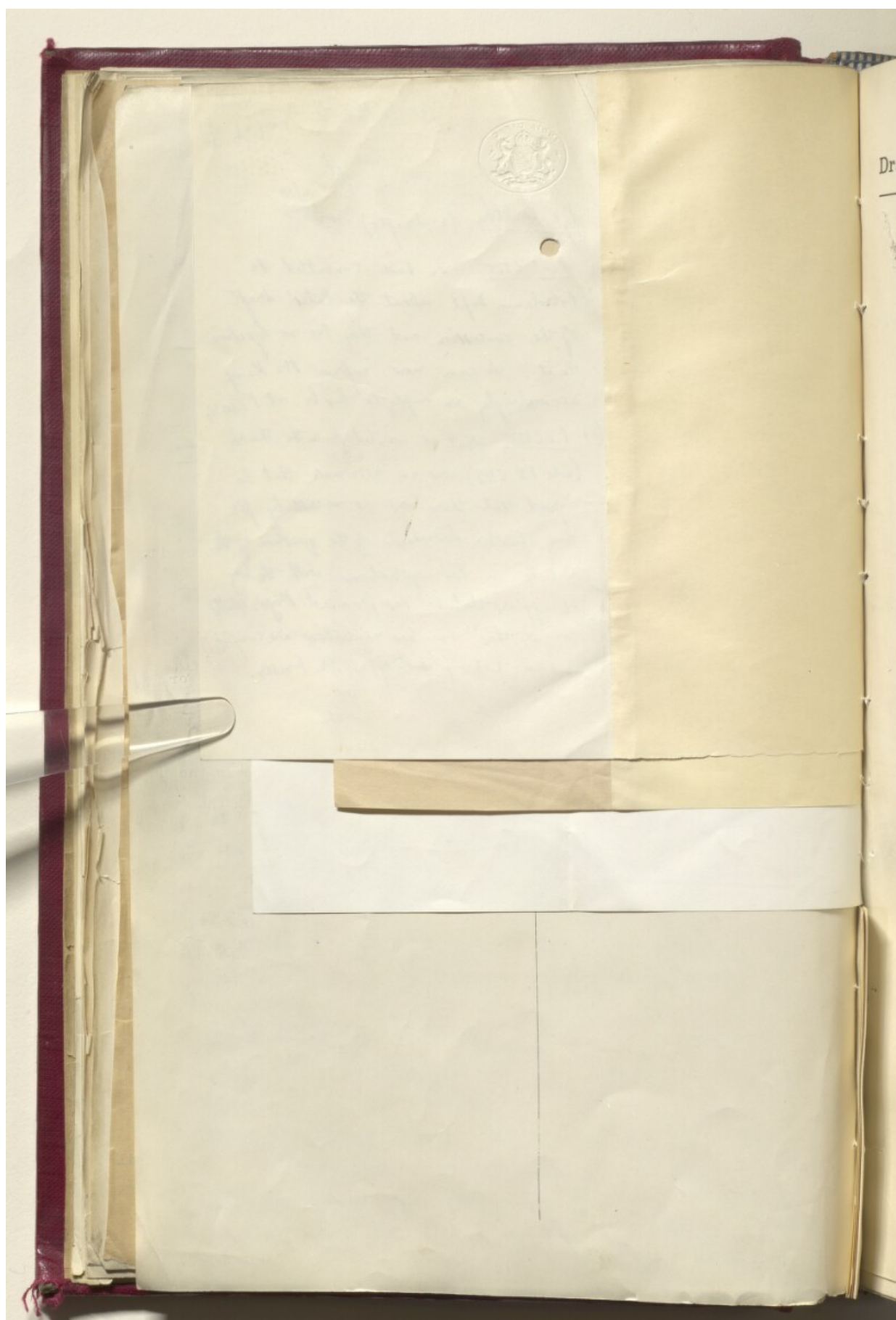


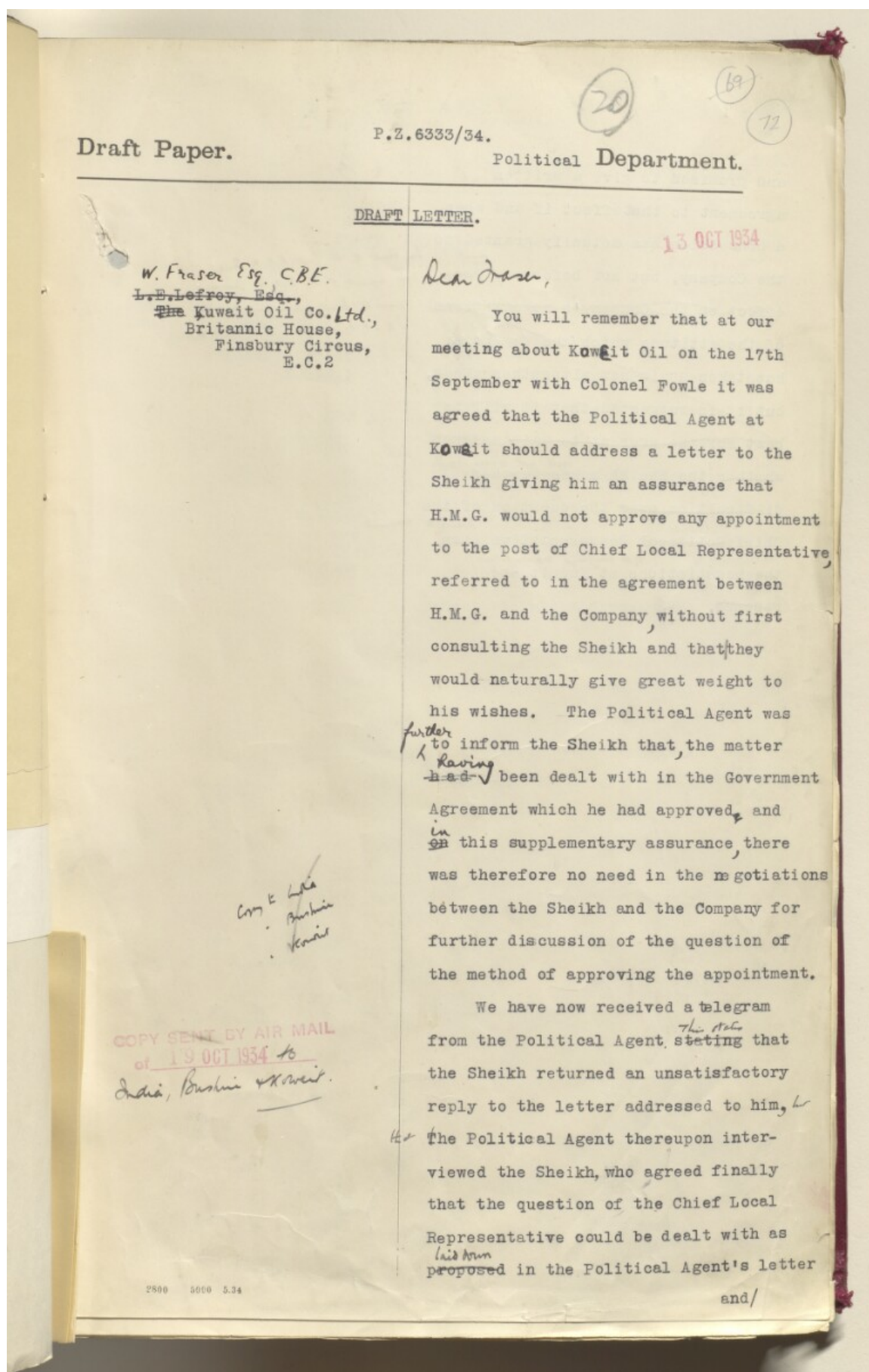














and promised to give a written
agreement to that effect if and when
a concession was actually granted to
the Company, but not before. ^{N.P.} ~~The~~ ^{in view of the fact that the Sheikh}
~~effect on the Company's negotiations~~ ^{has agreed only for the concession}
of the attitude which the ^{Sheikh} ~~Chairman~~
has taken up is not altogether clear,
but it is suggested that it will be
best for the present to wait and see
whether the Sheikh makes ^{could not decide these} ~~further~~
difficulties over the question of the
Chief ^{Local} ~~Political~~ Representative when
the negotiations ^{of the Company's representatives} at Kuwait ^{are}
resumed.

Yours sincerely,

(Sd.) J. C. WALTON.

Draft

H.T.



(70) (73)

P.Z. 6325/34

Draft Paper. Political Department.

DRAFT LETTER.

13 OCT 1934

H.T.Kemp, Esq.,
Kuwait Oil Company,
Britannic House,
Finsbury Circus,
E.C.2

Dear Kemp,

Many thanks for your letter of 26th September enclosing copies of draft No.5 of the Kuwait Concession to the terms of which we see no objection. In this connection you will remember that we have reserved the right to examine the financial provisions which have still to be inserted in the Concession.

Yours sincerely,
(Sd.) J. C. WALTON.

ENCLOSURE IN WEEKLY LETTER
NO. 42 13 OCT 1934
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE

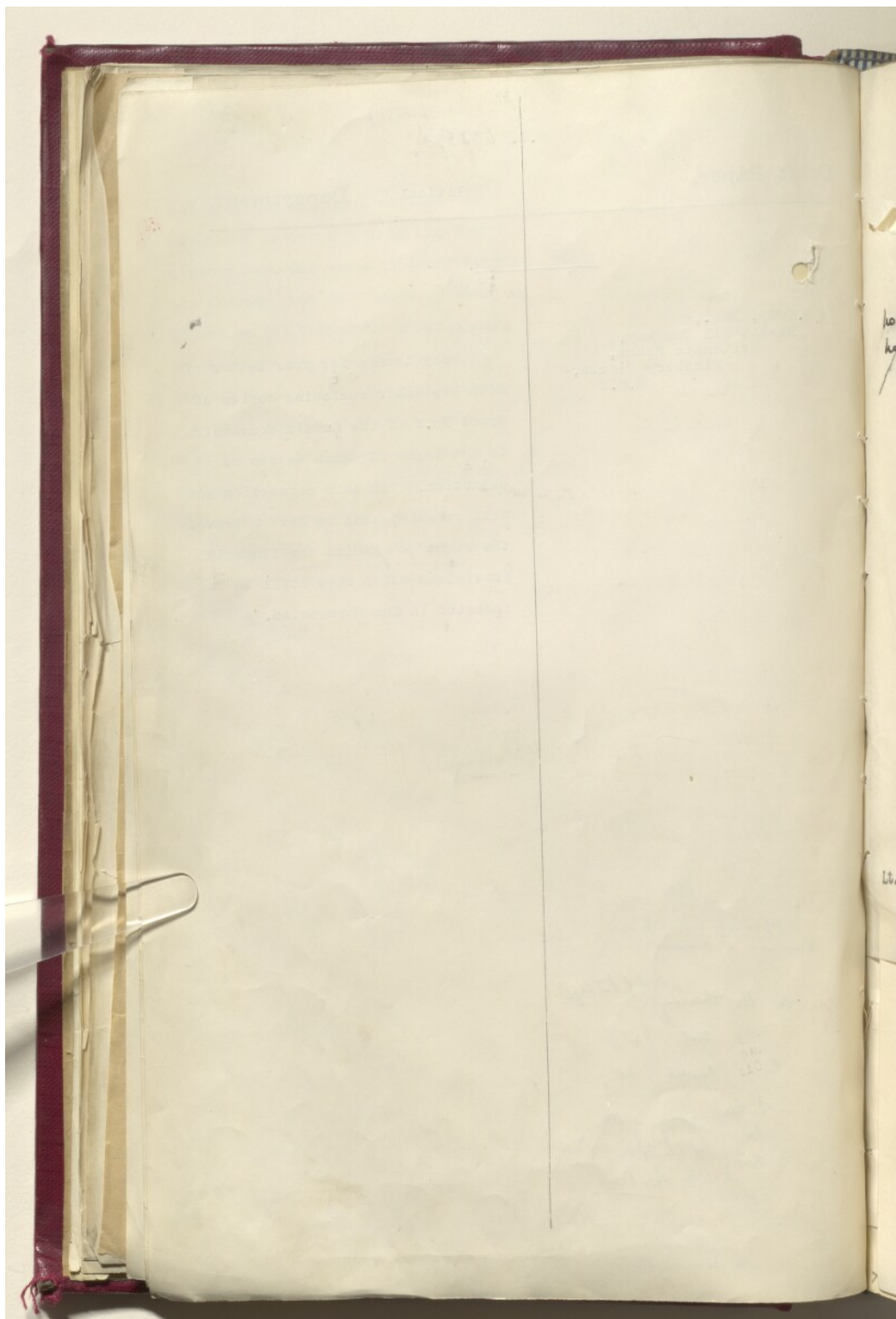
COPY SENT BY AIR MAIL
of 19.10.34. to India,
Bahrain & Kuwait.

Copy to Mr. Stanley (Ret. - Dept.)
- Seal (Ad.)
- Rendel (F.O.)

India } with copy of Mr.
Bn. } Stanley's ltr. of 10th Oct
Kow } by Air Mail

15 OCT 1934

2800 5000 5.34





P2. 6333
34

INDIA OFFICE,
WHITEHALL, S.W. 1.

11th October 1934.

My dear Fowle,

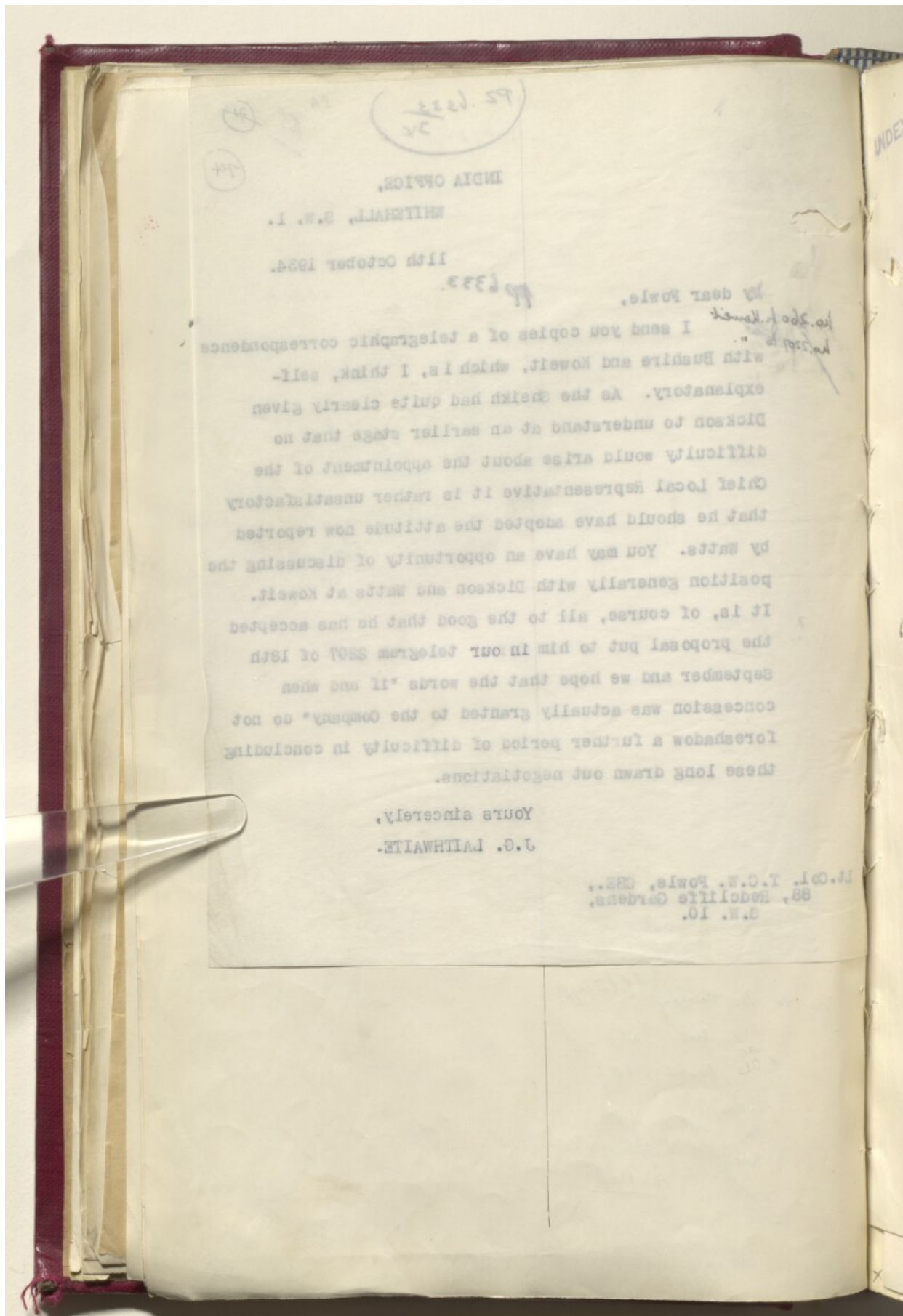
no. 260 f. Kuwait
no. 2207 to "

pp 6333.

I send you copies of a telegraphic correspondence with Bushire and Koweit, which is, I think, self-explanatory. As the Sheikh had quite clearly given Dickson to understand at an earlier stage that no difficulty would arise about the appointment of the Chief Local Representative it is rather unsatisfactory that he should have adopted the attitude now reported by Watts. You may have an opportunity of discussing the position generally with Dickson and Watts at Koweit. It is, of course, all to the good that he has accepted the proposal put to him in our telegram 2207 of 18th September and we hope that the words "if and when concession was actually granted to the Company" do not foreshadow a further period of difficulty in concluding these long drawn out negotiations.

Yours sincerely,
J.G. LAITHWAITE.

Lt.Col. T.C.W. Fowle, CBE.,
88, Redcliffe Gardens,
S.W. 10.





INDEXED

FILE COPY

P.Z.

6333

1934

29 OCT 1934

Mac

75

ETP/MM. (53 groups.) 5272.

DECYPHER OF TELEGRAM.

(COPIES CIRCULATED)

From Political Agent, Kuwait, to Secretary of State for India, repeating telegram addressed to Political Resident in the Persian Gulf.

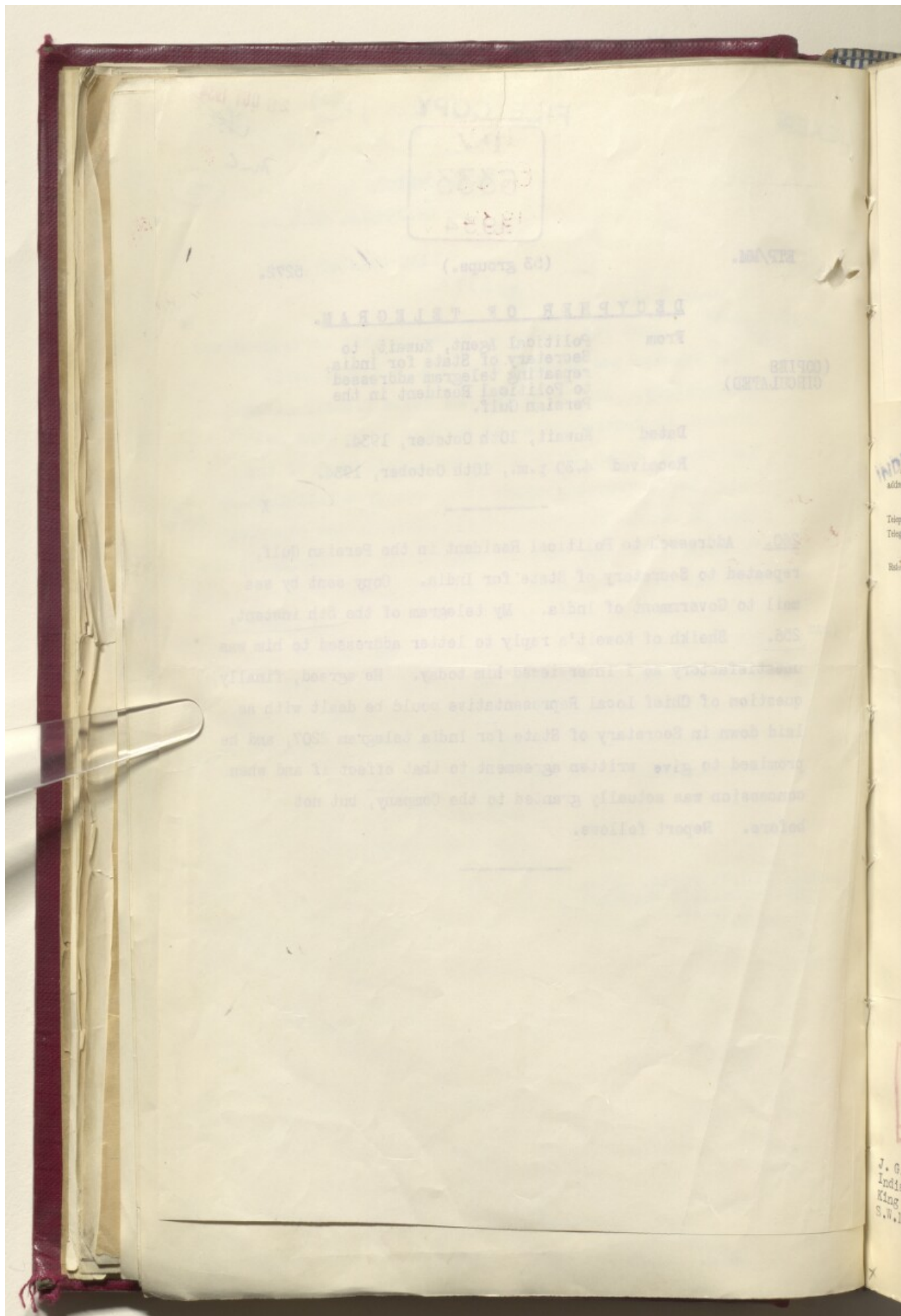
Dated Kuwait, 10th October, 1934.

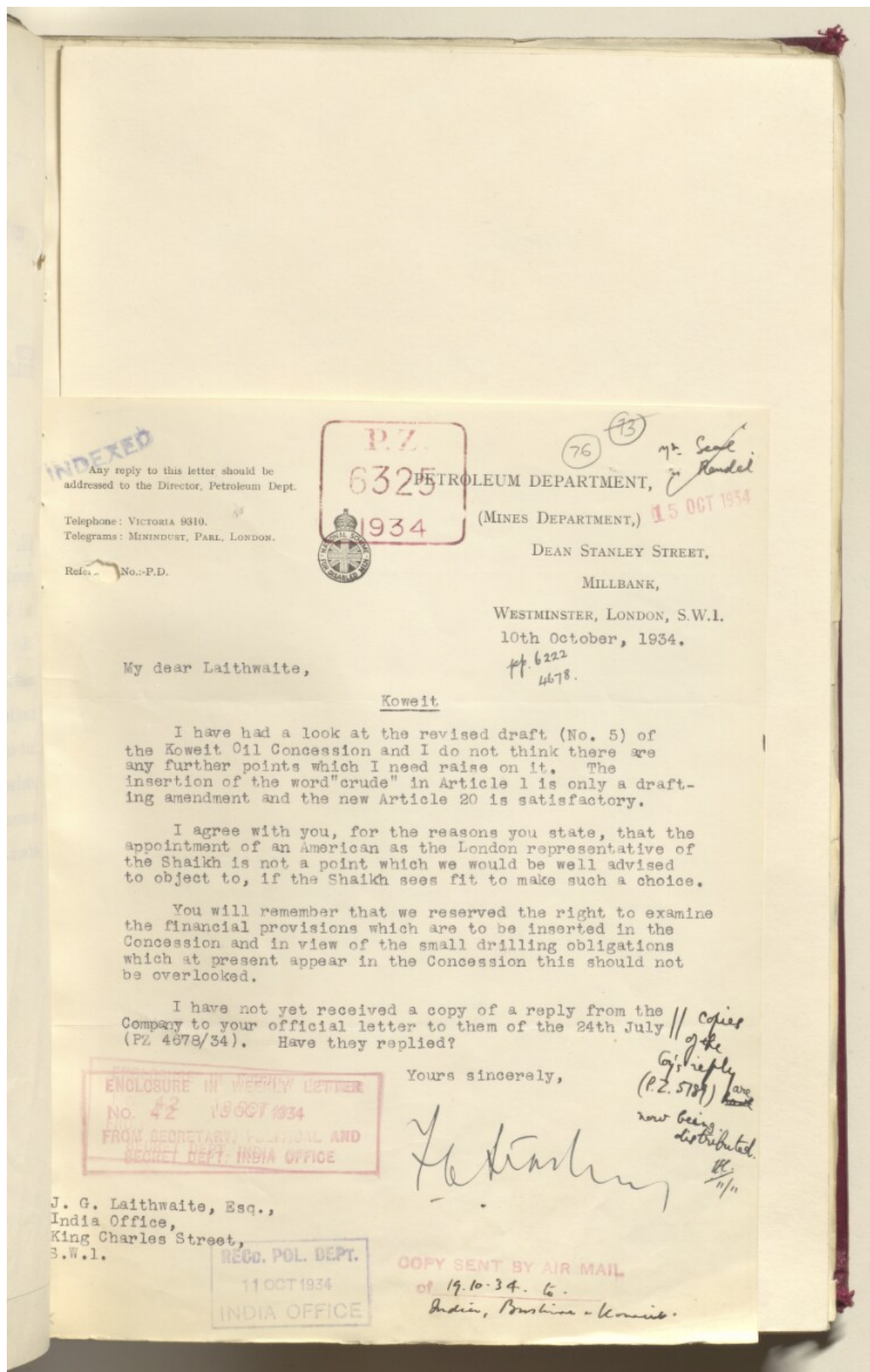
Received 4.30 p.m., 10th October, 1934.

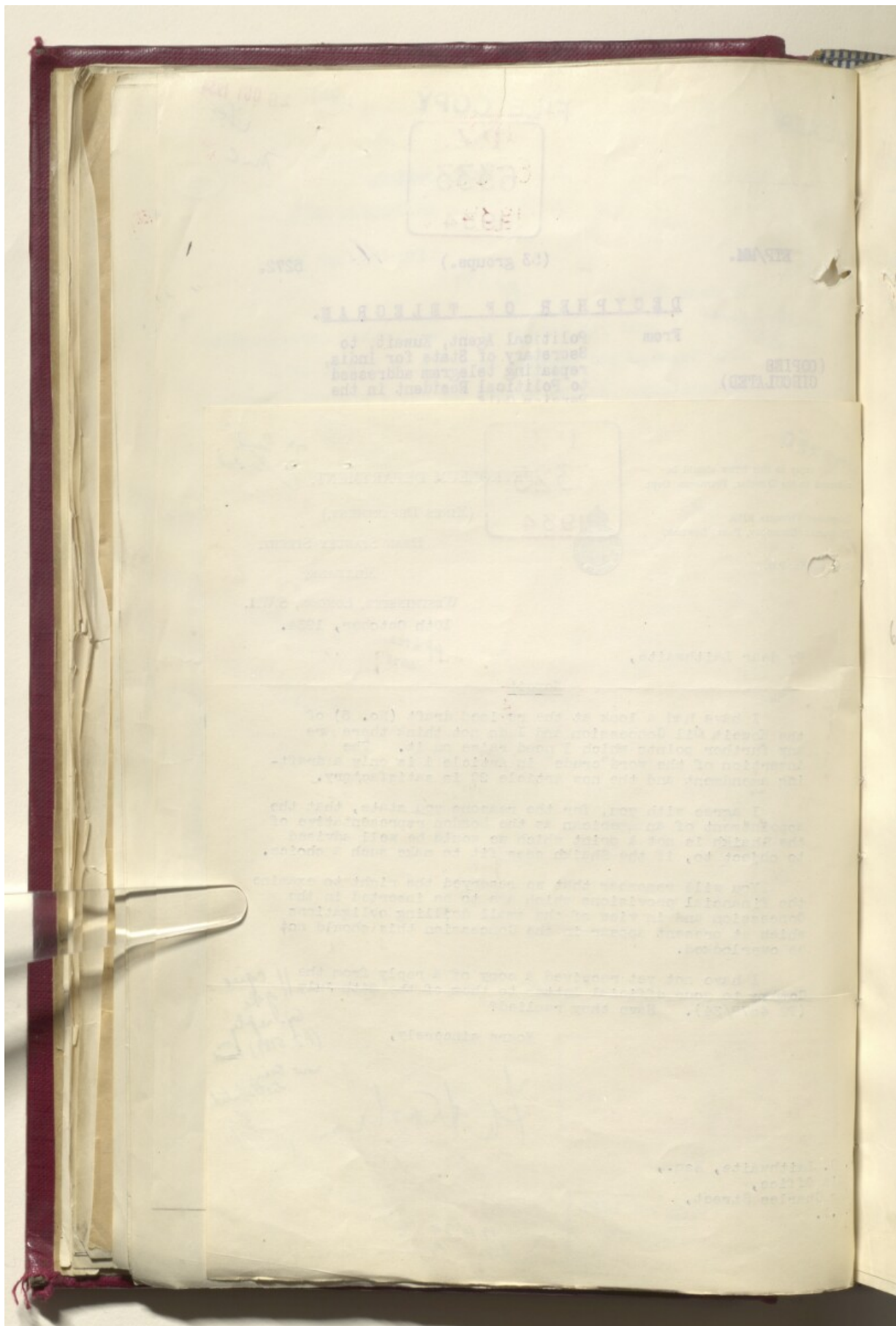
X

260. Addressed to Political Resident in the Persian Gulf, repeated to Secretary of State for India. Copy sent by sea mail to Government of India. My telegram of the 5th instant,

222-256. Sheikh of Koweit's reply to letter addressed to him was unsatisfactory so I interviewed him today. He agreed, finally, question of Chief Local Representative could be dealt with as laid down in Secretary of State for India telegram 2207, and he promised to give written agreement to that effect if and when concession was actually granted to the Company, but not before. Report follows.









INDEXED

FILE COPY

6222

1934

JRL/DIA. (30 groups) 5212.

29 OCT 1934

DECYPHER OF TELEGRAM.

From Political Agent, Kuwait, to Secretary of State for India, repeating telegram addressed to Political Resident in the Persian Gulf.

(COPIES CIRCULATED)

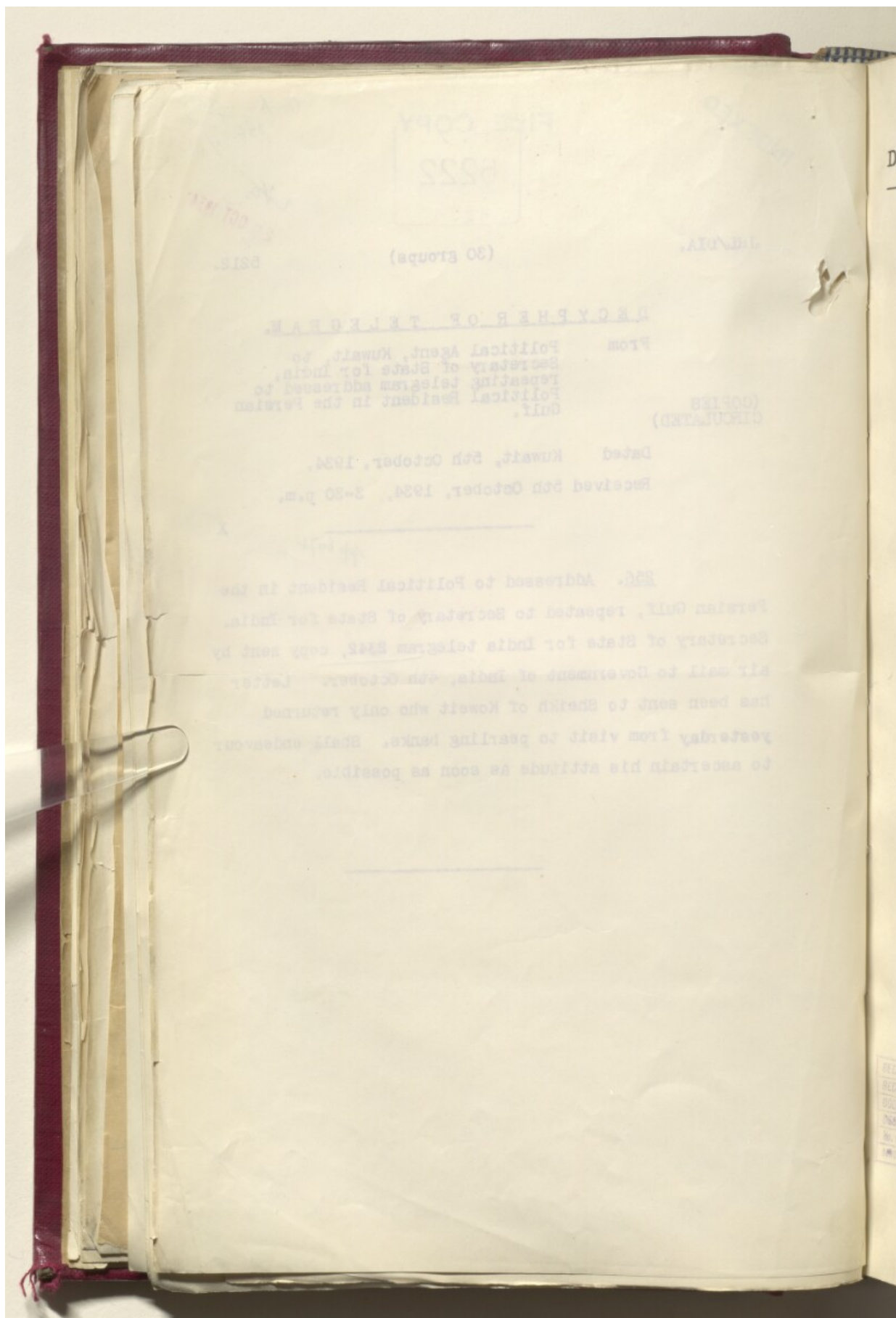
Dated Kuwait, 5th October, 1934.

Received 5th October, 1934, 3-30 p.m.

X

6074

256. Addressed to Political Resident in the Persian Gulf, repeated to Secretary of State for India. Secretary of State for India telegram 2342, copy sent by air mail to Government of India, 4th October. Letter has been sent to Sheikh of Koweit who only returned yesterday from visit to pearling banks. Shall endeavour to ascertain his attitude as soon as possible.





1/10/34

P2.6074

(78)

(78)

Draft Paper.

Department.

After X

Address to P.R. Bushnell No 2342
replied PA Kuwait No 2343
copy by A.H. to G. 11.

2342

Copy sent by 18 Sept. 2207

Chickster will arrive Kuwait overland
about 12 Oct. Please telegraph whether
action has been taken
to in my A.M. of 18 Sept. 2207
has been made to Sheikh & whether
he has given any indication of his
attitude.

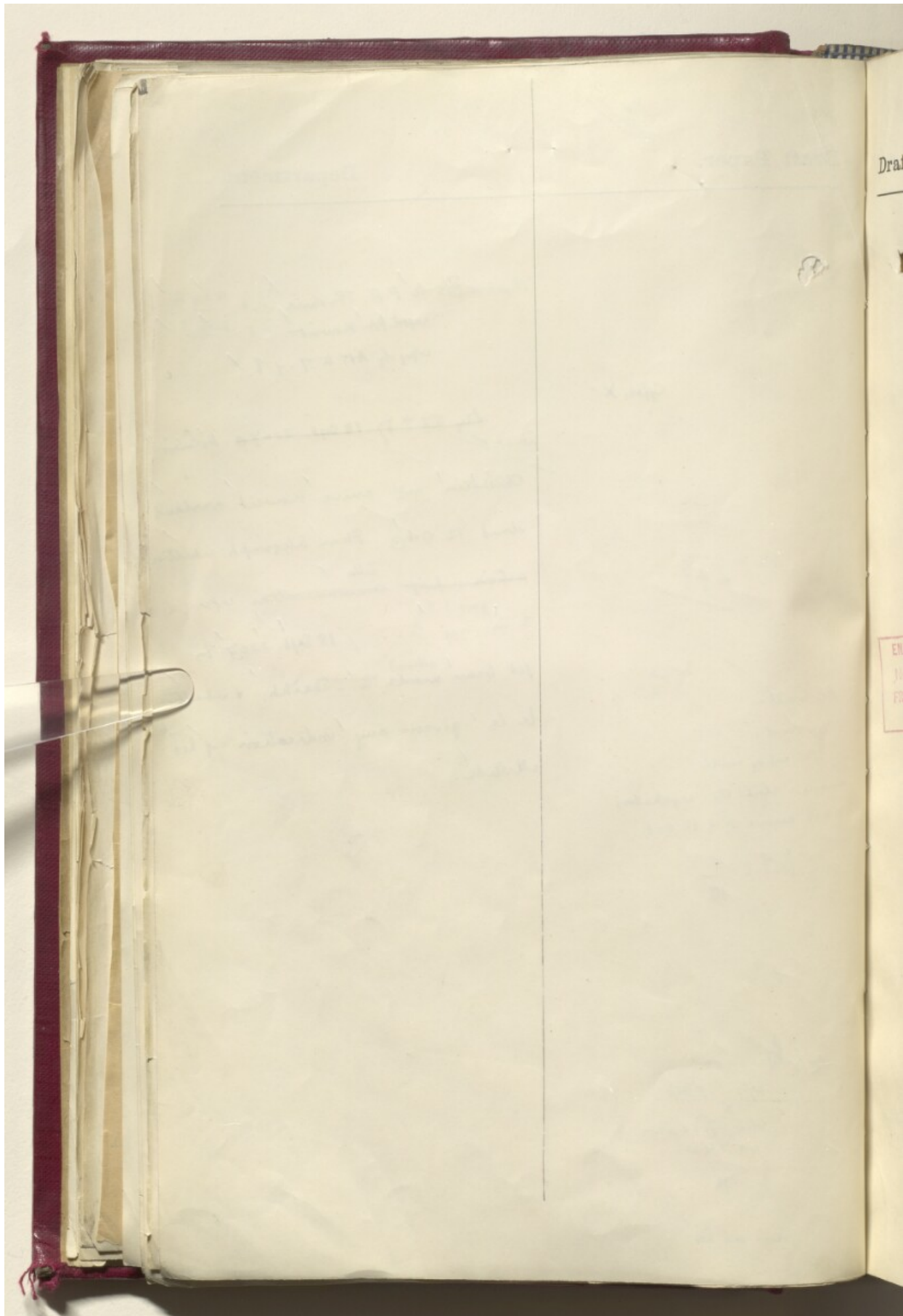
Mr. Watson
2nd.
Mr. Lohay will
announce that the negotiators
do not arrive till 12 Oct.

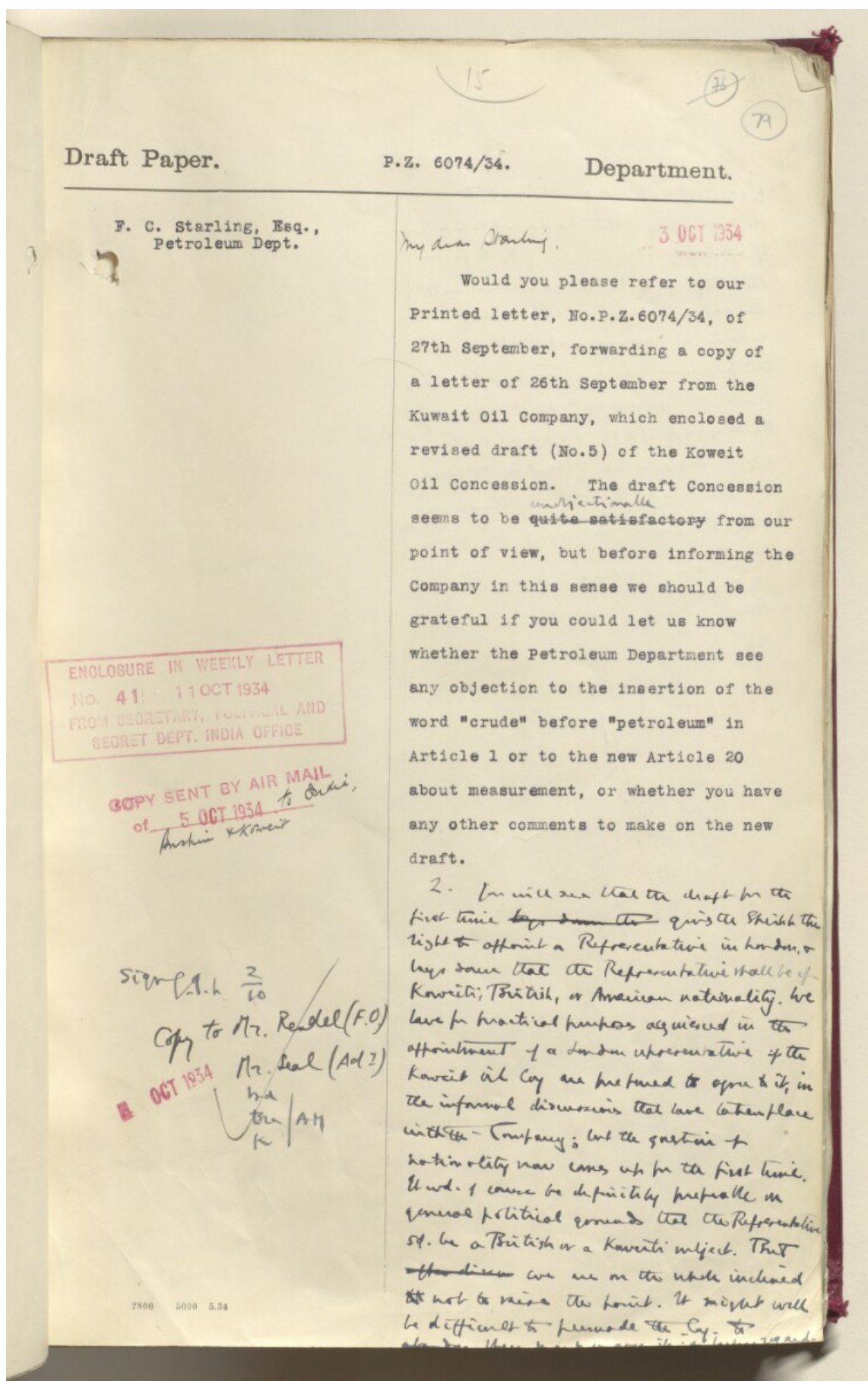
1.1.4
4
18

4.10

SEEN BY	DATE	TIME
REDD. INTEL. BOY	4/10	5.24 PM
CODE, % OF X	X	
DISPATCHED	4/10	7.30 PM
NO. OF WORDS	45746	
SENDER'S INITIALS		

2800 3000 5.34







to the very restricted nature of the
duties which the London representative,
if appointed, will perform, & the fact
that they will be in connection with
the safeguarding of the Sheikh's
interests in commercial matters, & the
provision which has been made in the
Political Agreement for confiding
the disposal of all political questions
which may arise locally through
the Political Agent, we think any
risk involved can safely be taken.

I am sending copies of this
letter to Randal & the Seal.

J. G. LAITHWALLE
SECRETARY

I have
that
of the
has a
made
draft

May

At the
Randal
10 of

NS Council ⁷⁷ ⁸⁰
Have discussed Act 6 c with NS Walton & have
added a paragraph which explains itself & the draft.
I think 7 B is all right, I don't think any
other point arises which the draft does not cover.
I have marked it. *E. L. L.* *Z.* *signatures.*
10.

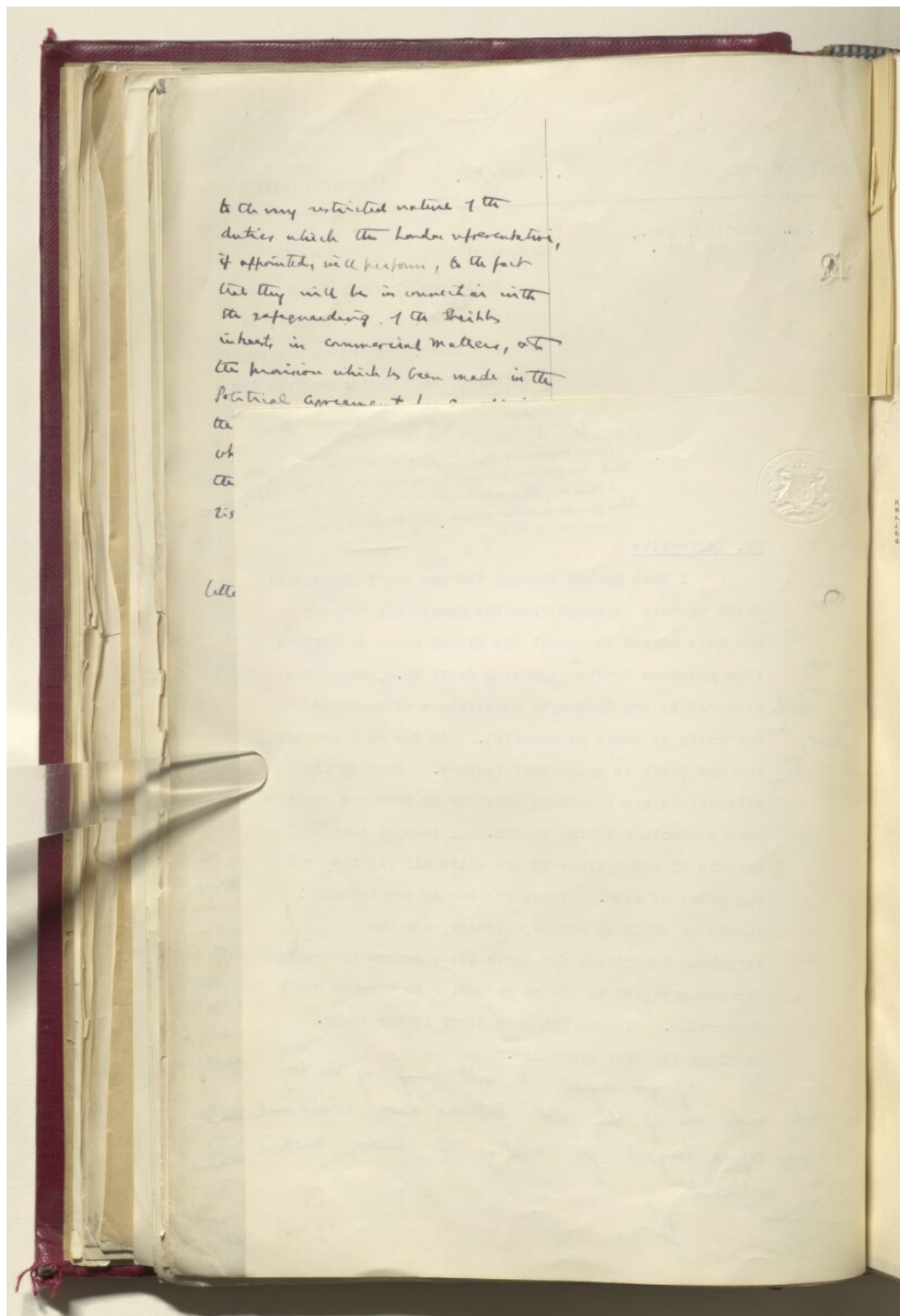
I now see
that several
of these alterations
had already been
made in the
Draft of 3rd May.

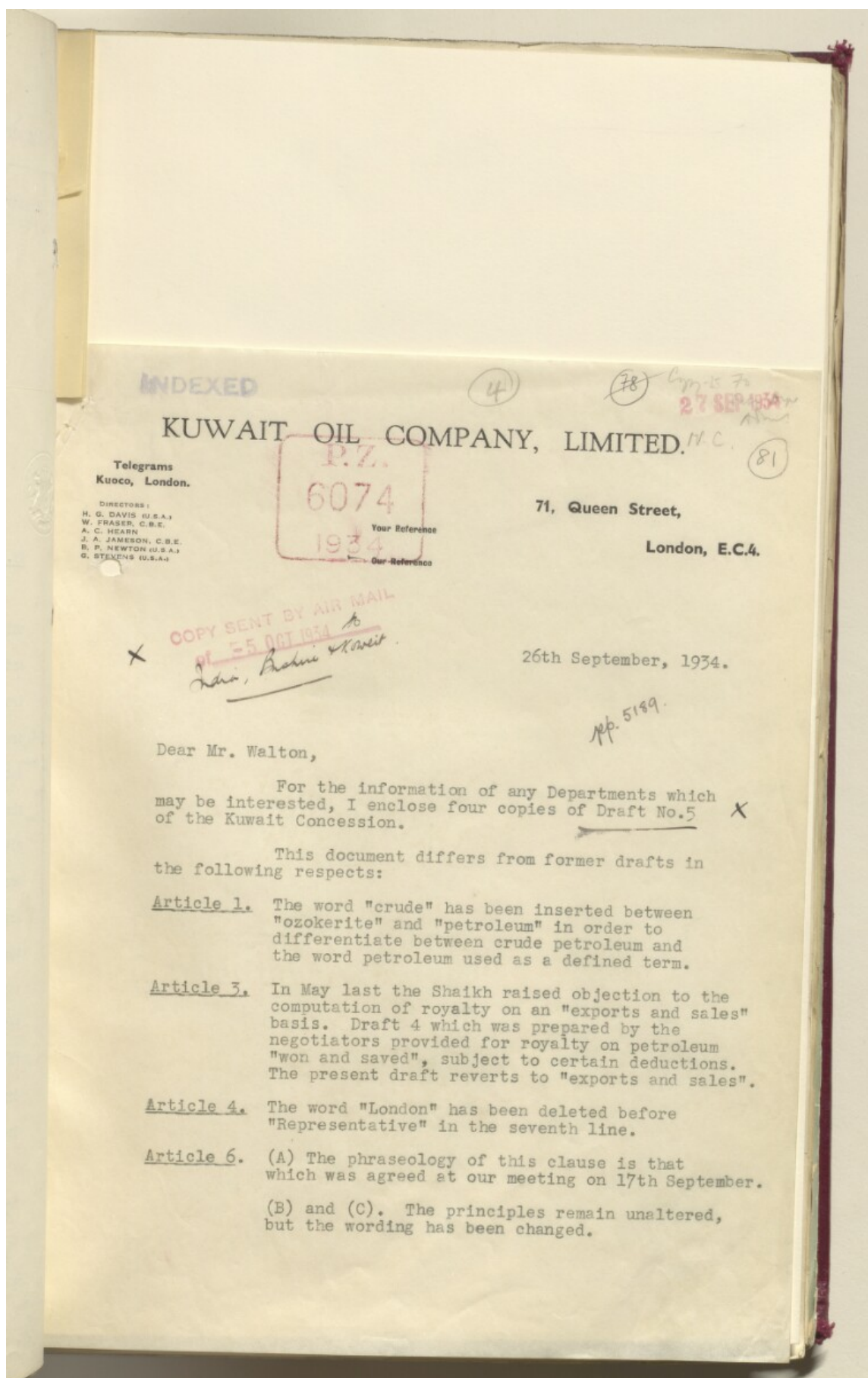
Starting for your signature.

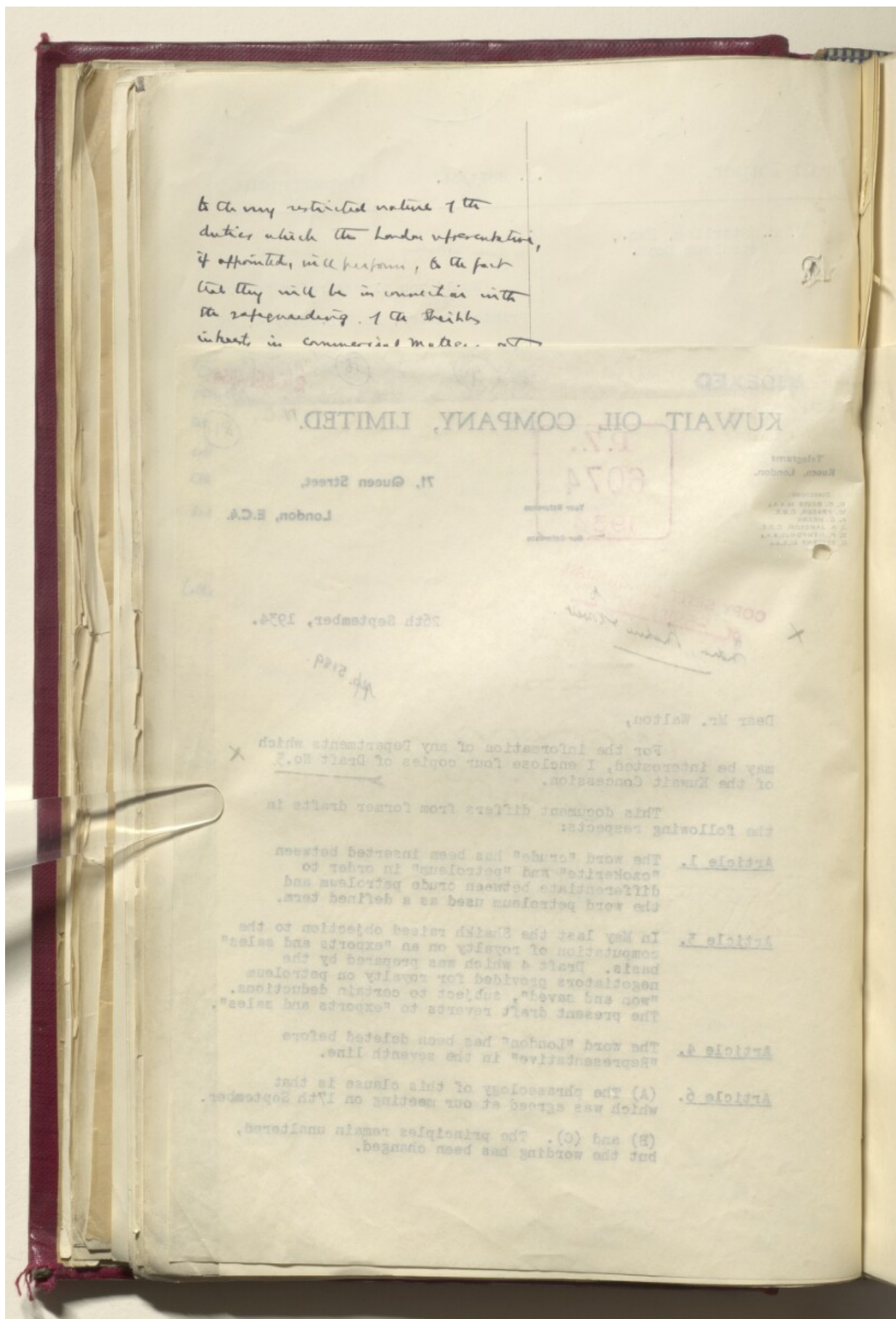
If you agree I will ring up the Coy.
and see if they do. Let us have additional
9.2²₁₀ copies (say 10) for sending to India, Bushire
& Koweit.

Mr. Kemp is
sending me
10 copies tomorrow

W.R.
2/10









-2-

(79) (82)

Article 7(A). The last sentence has been revised in order to make it clear that the payment contemplated is in lieu of taxation payments.

Article 9. In the first paragraph, line 10, the words "with the cognisance of the Shaikh" have been inserted because the Shaikh expressed a wish for a provision to which these words give effect.

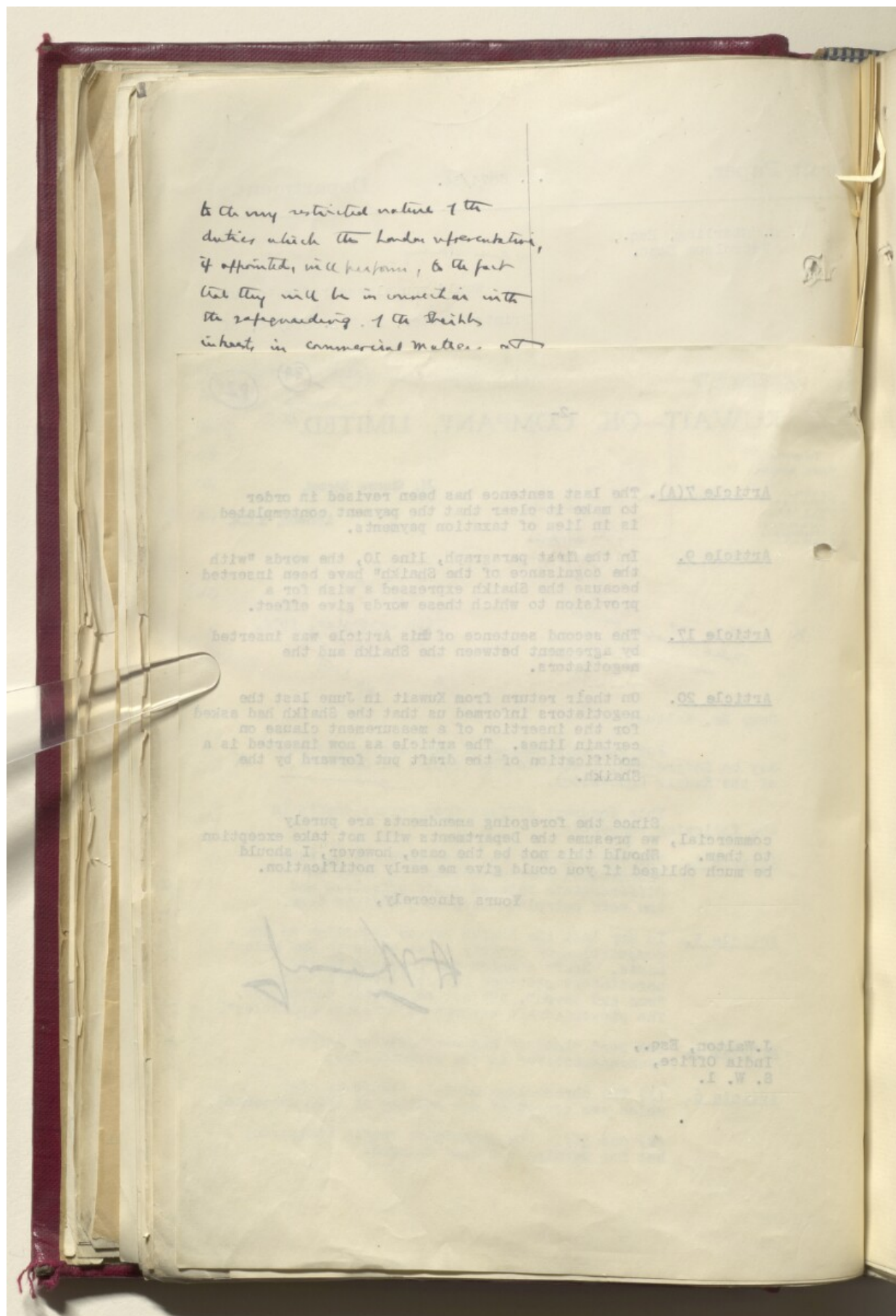
Article 17. The second sentence of this Article was inserted by agreement between the Shaikh and the negotiators.

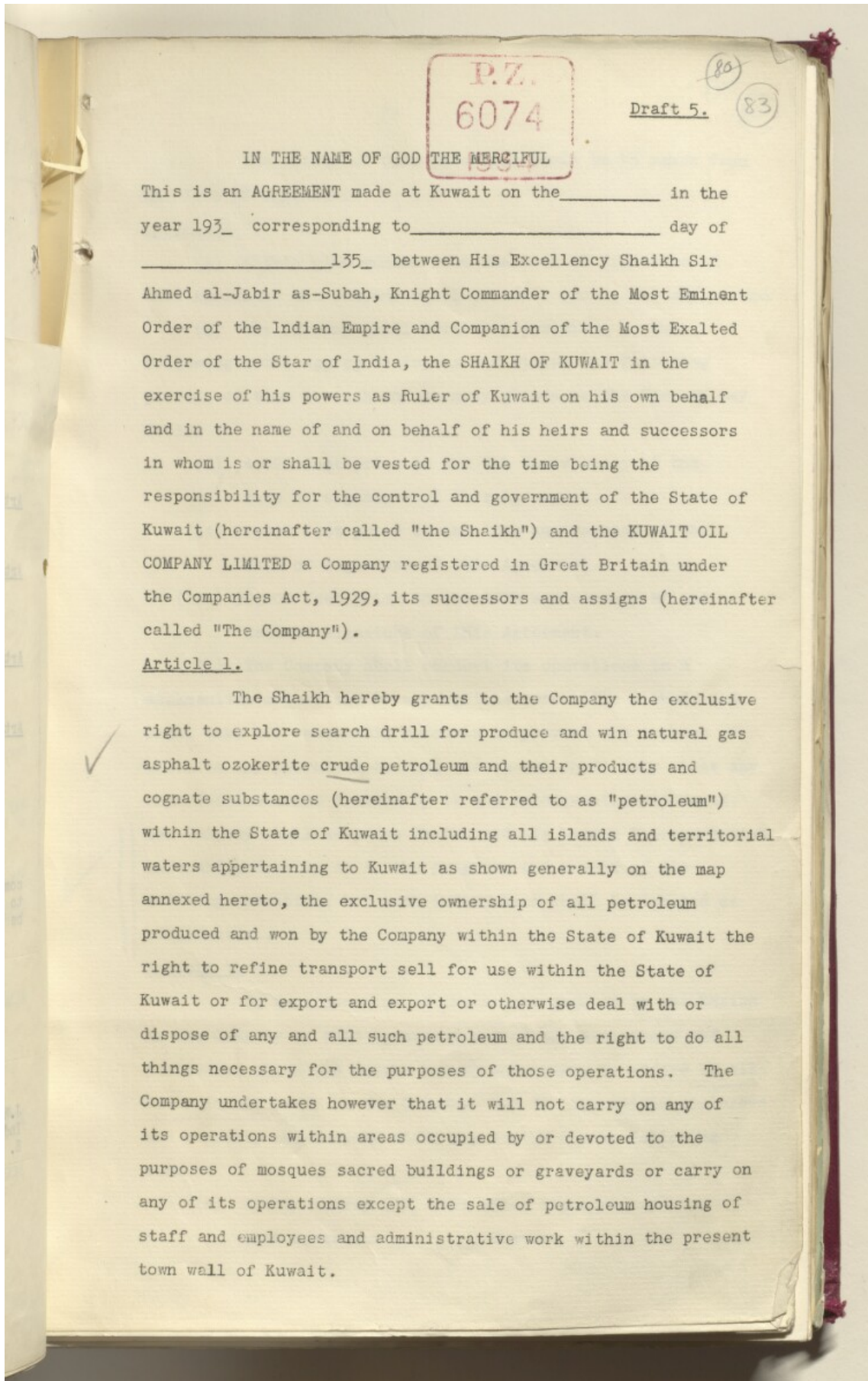
Article 20. On their return from Kuwait in June last the negotiators informed us that the Shaikh had asked for the insertion of a measurement clause on certain lines. The article as now inserted is a modification of the draft put forward by the Shaikh.

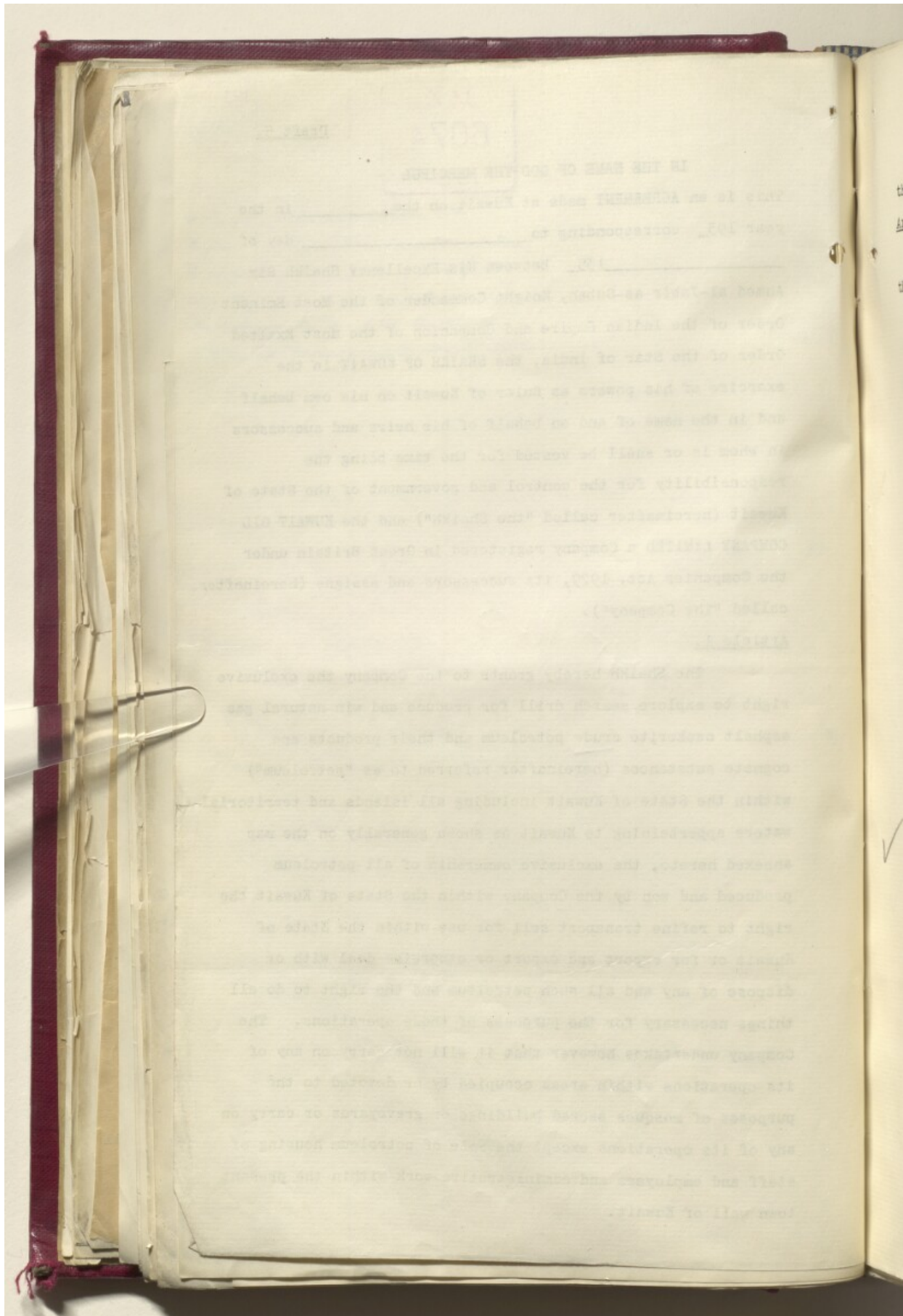
Since the foregoing amendments are purely commercial, we presume the Departments will not take exception to them. Should this not be the case, however, I should be much obliged if you could give me early notification.

Yours sincerely,

J. Walton, Esq.,
India Office,
S. W. 1.









2.

The period of this Agreement shall be 75 years from the date of signature.

Article 2.

(A) Within nine months from the date of signature of this Agreement the Company shall commence geological exploration.

(B) The Company shall drill for petroleum to the following total aggregate depths and within the following periods of time at such and so many places as the Company may decide :-

(i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.

(ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.

(iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

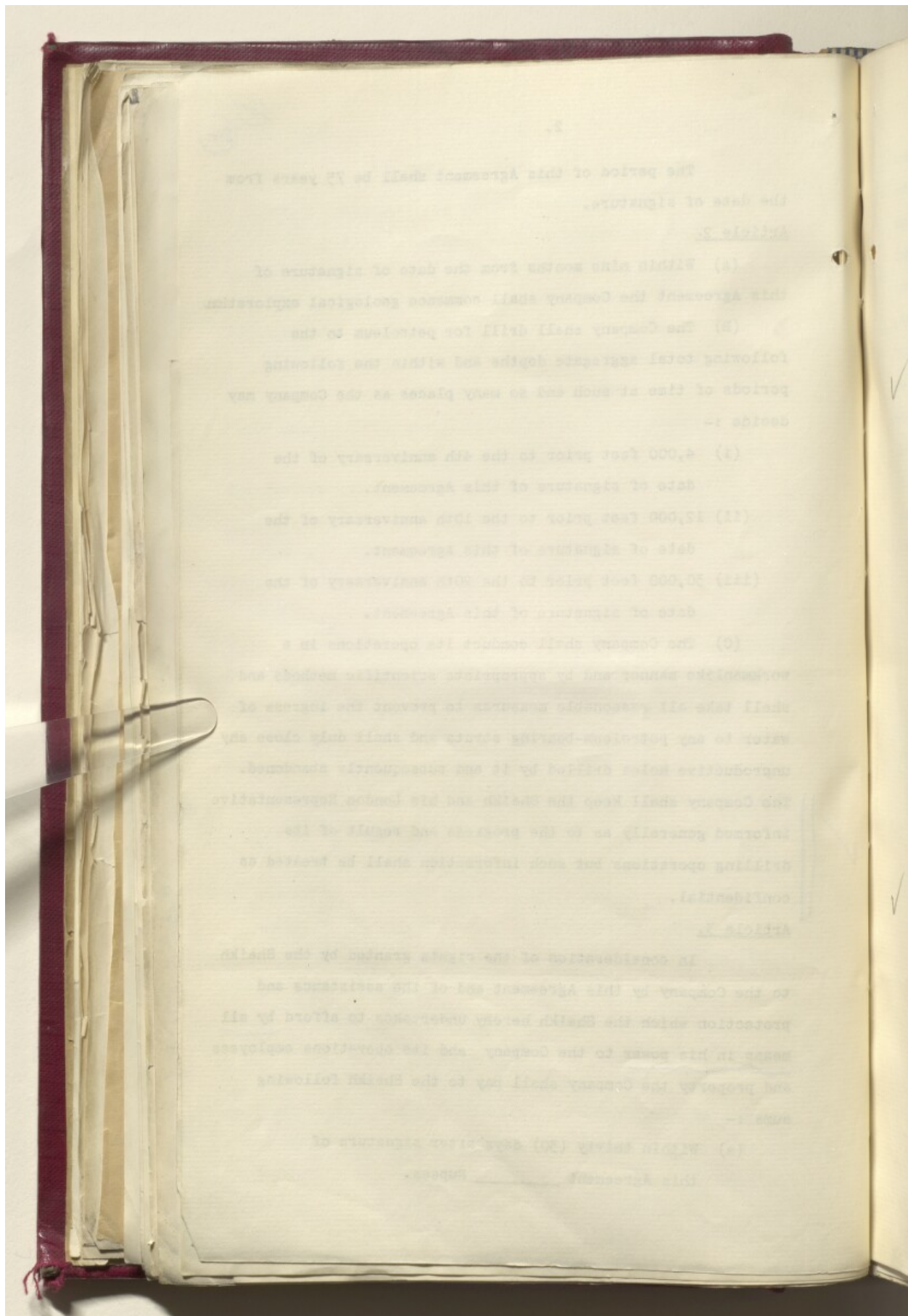
(C) The Company shall conduct its operations in a workmanlike manner and by appropriate scientific methods and shall take all reasonable measures to prevent the ingress of water to any petroleum-bearing strata and shall duly close any unproductive holes drilled by it and subsequently abandoned.

The Company shall keep the Shaikh and his London Representative informed generally as to the progress and result of its drilling operations but such information shall be treated as confidential.

Article 3.

In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance and protection which the Shaikh hereby undertakes to afford by all means in his power to the Company and its operations employees and property the Company shall pay to the Shaikh following sums :-

(a) Within thirty (30) days after signature of this Agreement _____ Rupees.





3.

- (b) On each anniversary of the date of signature until the Company declares that petroleum has been found in commercial quantities :-

✓ Either Royalty of Rupees _____ Annas _____ for every English ton of 2,240 lbs. of Kuwait petroleum exported from or sold for consumption in Kuwait during the year ended 3 months prior to the anniversary of the date of signature,

Or Rupees _____, whichever shall be the greater sum.

- (c) On each anniversary of the date of signature after the Company has declared that petroleum has been found in commercial quantities :-

Either Royalty as defined above,

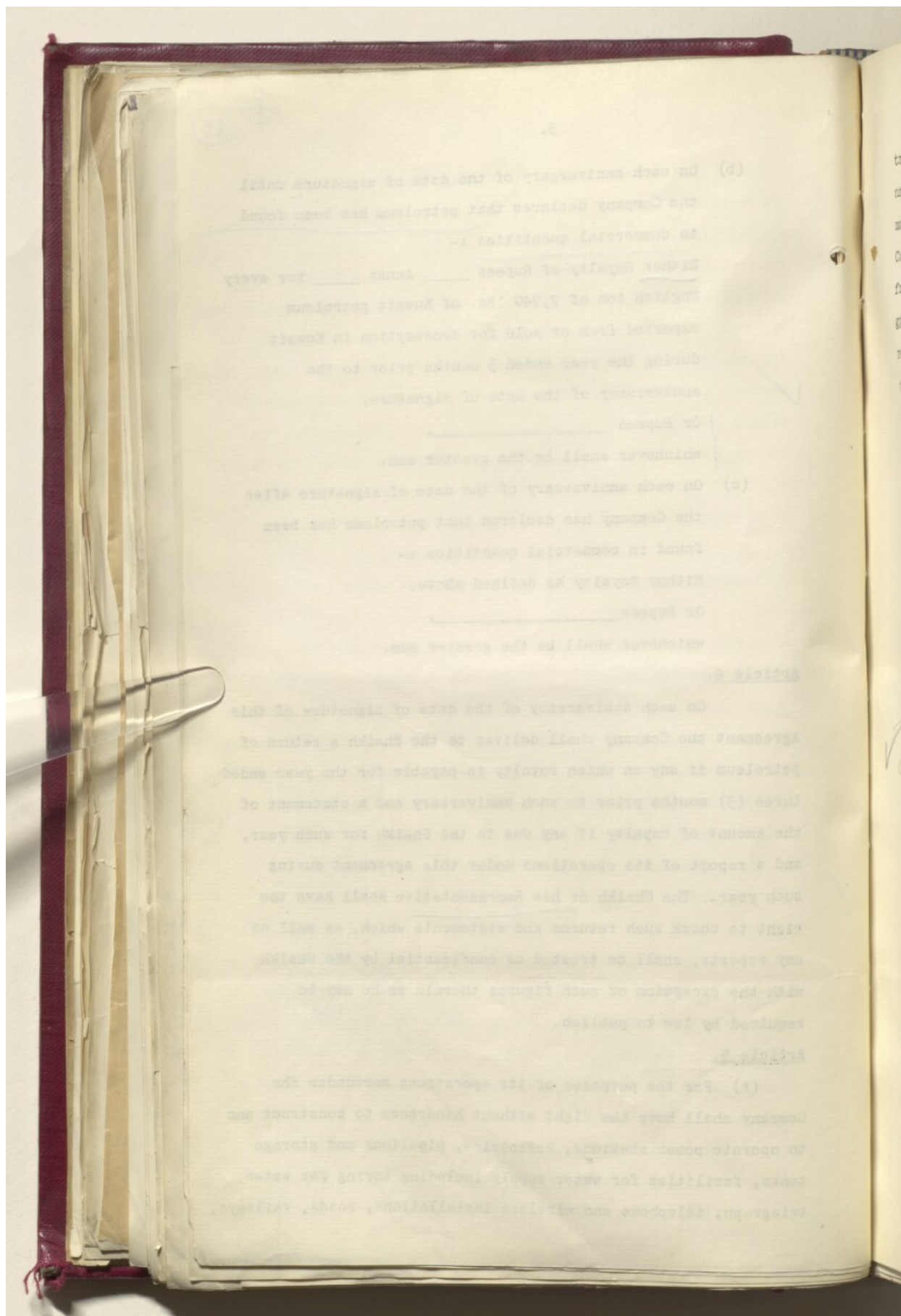
Or Rupees _____, whichever shall be the greater sum.

Article 4.

✓ On each anniversary of the date of signature of this Agreement the Company shall deliver to the Shaikh a return of petroleum if any on which royalty is payable for the year ended three (3) months prior to such anniversary and a statement of the amount of royalty if any due to the Shaikh for such year, and a report of its operations under this agreement during such year. The Shaikh or his Representative shall have the right to check such returns and statements which, as well as any reports, shall be treated as confidential by the Shaikh with the exception of such figures therein as he may be required by law to publish.

Article 5.

(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph, telephone and wireless installations, roads, railways,





4.

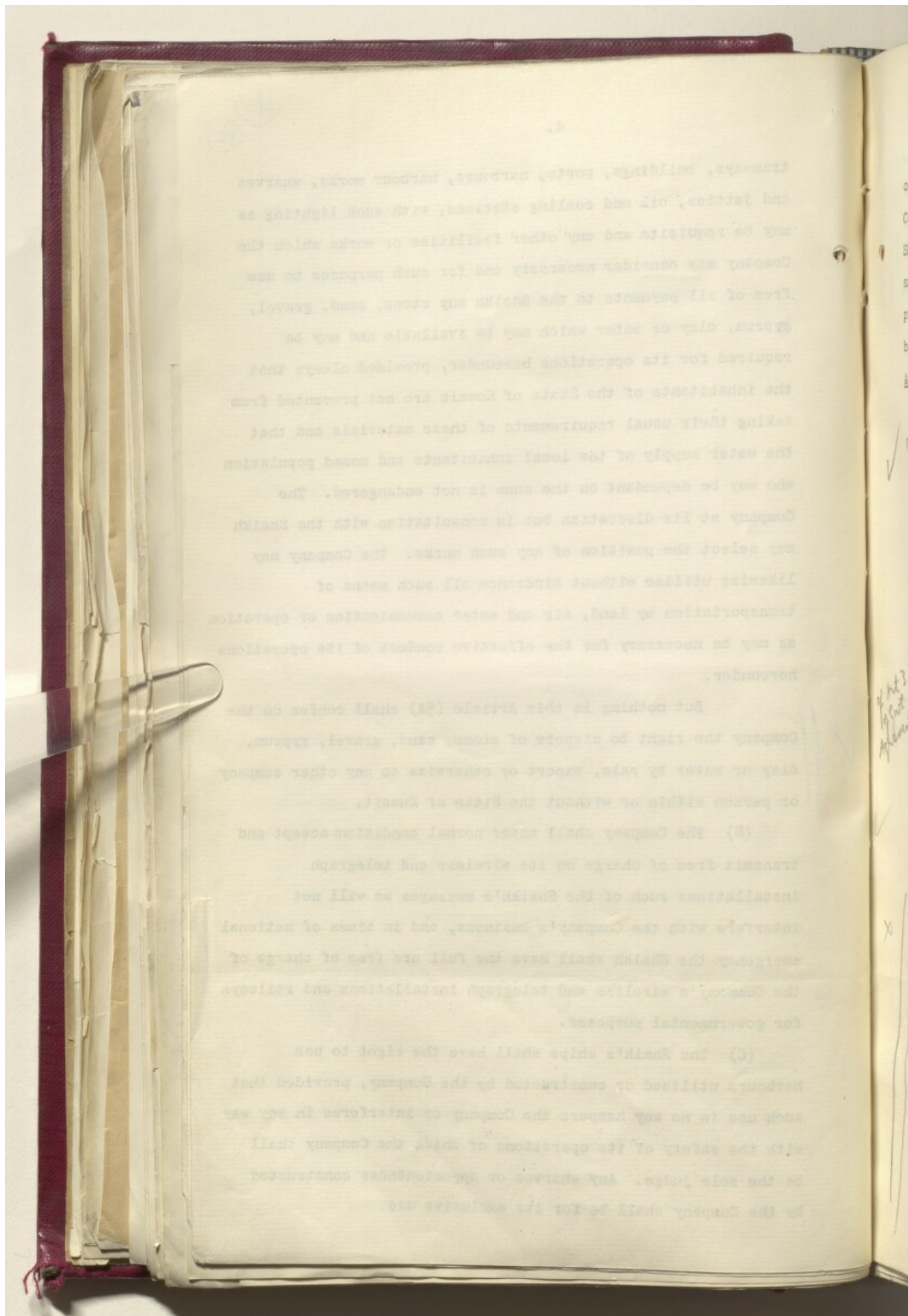
83
86

tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary and for such purposes to use free of all payments to the Shaikh any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the inhabitants of the State of Kuwait are not prevented from taking their usual requirements of these materials and that the water supply of the local inhabitants and nomad population who may be dependant on the same is not endangered. The Company at its discretion but in consultation with the Shaikh may select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land, air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

✓ But nothing in this Article (5A) shall confer on the Company the right to dispose of stone, sand, gravel, gypsum, clay or water by sale, export or otherwise to any other company or person within or without the State of Kuwait.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such of the Shaikh's messages as will not interfere with the Company's business, and in times of national emergency the Shaikh shall have the full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes.

(C) The Shaikh's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or appurtenances constructed by the Company shall be for its exclusive use.





5.

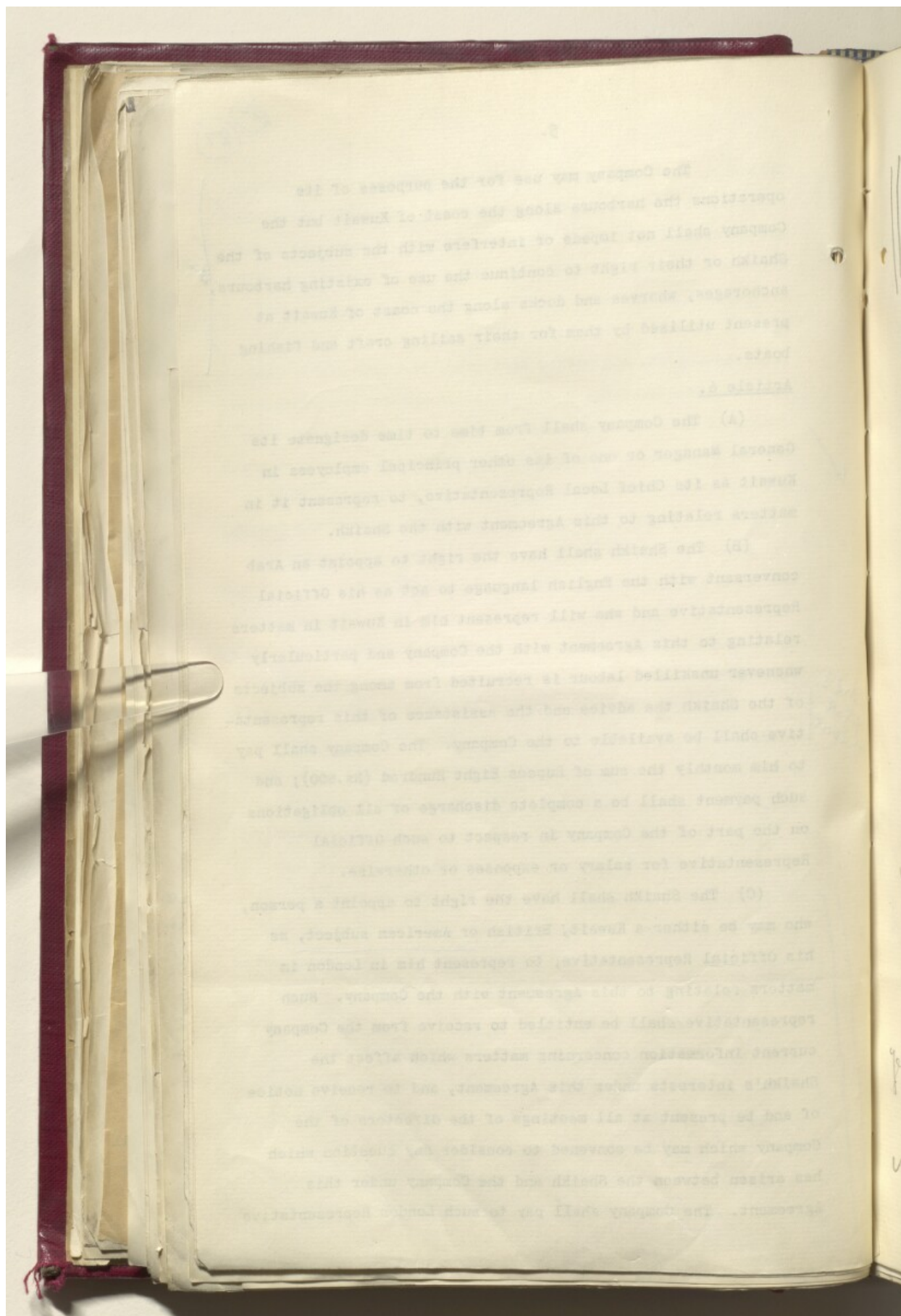
The Company may use for the purposes of its operations the harbours along the coast of Kuwait but the Company shall not impede or interfere with the subjects of the Shaikh or their right to continue the use of existing harbours, anchorages, wharves and docks along the coast of Kuwait at present utilised by them for their sailing craft and fishing boats.

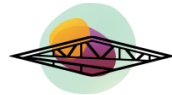
Article 6.

(A) The Company shall from time to time designate its General Manager or one of its other principal employees in Kuwait as its Chief Local Representative, to represent it in matters relating to this Agreement with the Shaikh.

(B) The Shaikh shall have the right to appoint an Arab conversant with the English language to act as his Official Representative and who will represent him in Kuwait in matters relating to this Agreement with the Company and particularly whenever unskilled labour is recruited from among the subjects of the Shaikh the advice and the assistance of this representative shall be available to the Company. The Company shall pay to him monthly the sum of Rupees Eight Hundred (Rs.800); and such payment shall be a complete discharge of all obligations on the part of the Company in respect to such Official Representative for salary or expenses or otherwise.

(C) The Shaikh shall have the right to appoint a person, who may be either a Kuwait, British or American subject, as his Official Representative, to represent him in London in matters relating to this Agreement with the Company. Such representative shall be entitled to receive from the Company current information concerning matters which affect the Shaikh's interests under this Agreement, and to receive notice of and be present at all meetings of the directors of the Company which may be convened to consider any question which has arisen between the Shaikh and the Company under this Agreement. The Company shall pay to such London Representative





6.

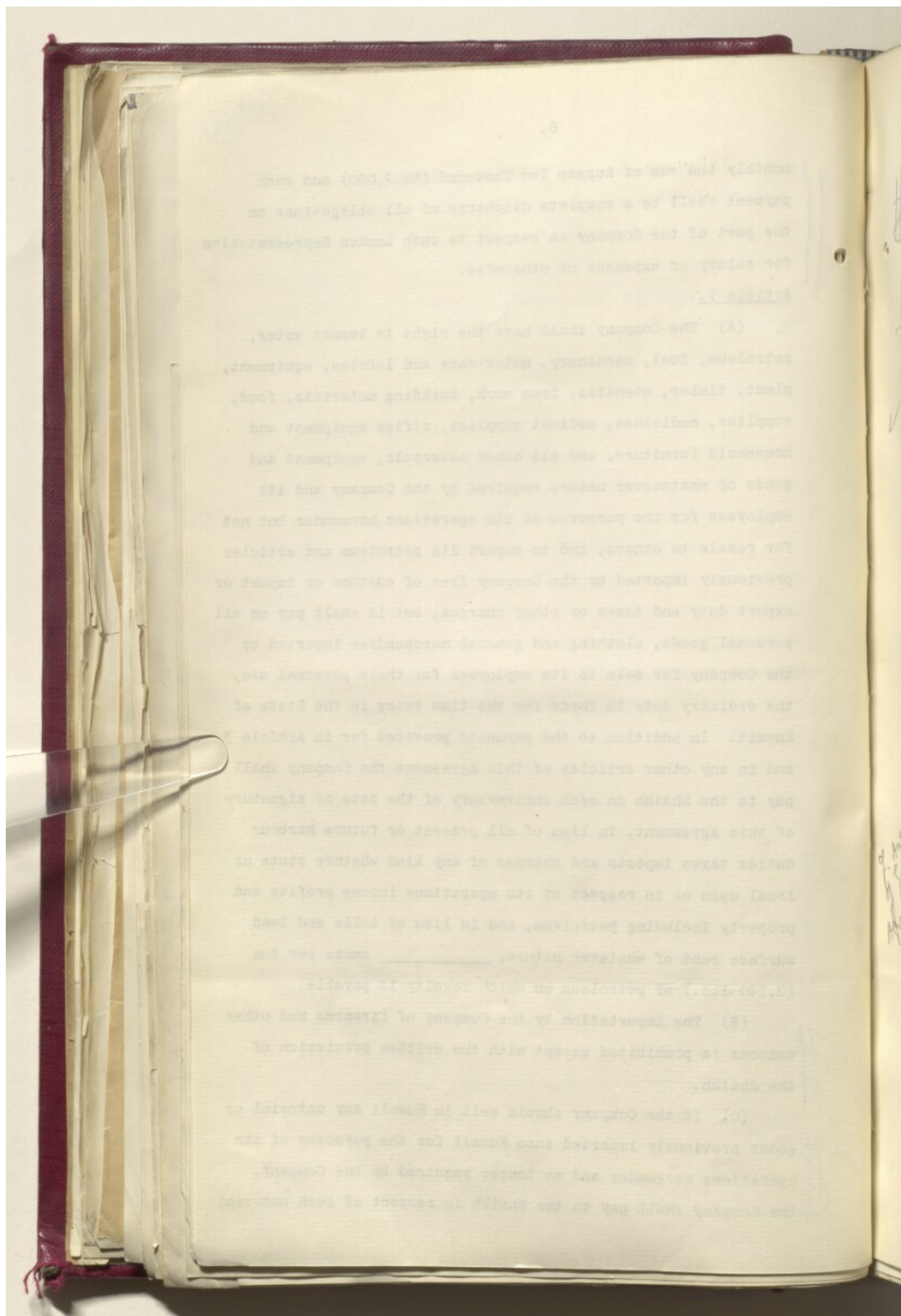
monthly the sum of Rupees Two Thousand (Rs.2,000) and such payment shall be a complete discharge of all obligations on the part of the Company in respect to such London Representative for salary or expenses or otherwise.

Article 7.

(A) The Company shall have the right to import water, petroleum, fuel, machinery, motor-cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food, supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for sale to its employees for their personal use, the ordinary duty in force for the time being in the State of Kuwait. In addition to the payments provided for in Article 3 and in any other articles of this Agreement the Company shall pay to the Shaikh on each anniversary of the date of signature of this Agreement, in lieu of all present or future harbour duties taxes imposts and charges of any kind whether state or local upon or in respect of its operations income profits and property including petroleum, and in lieu of tolls and land surface rent of whatever nature, _____ annas per ton (2,240 lbs.) of petroleum on which royalty is payable.

(B) The importation by the Company of firearms and other weapons is prohibited except with the written permission of the Shaikh.

(C) If the Company should sell in Kuwait any material or goods previously imported into Kuwait for the purposes of its operations hereunder and no longer required by the Company, the Company shall pay to the Shaikh in respect of such material





7.

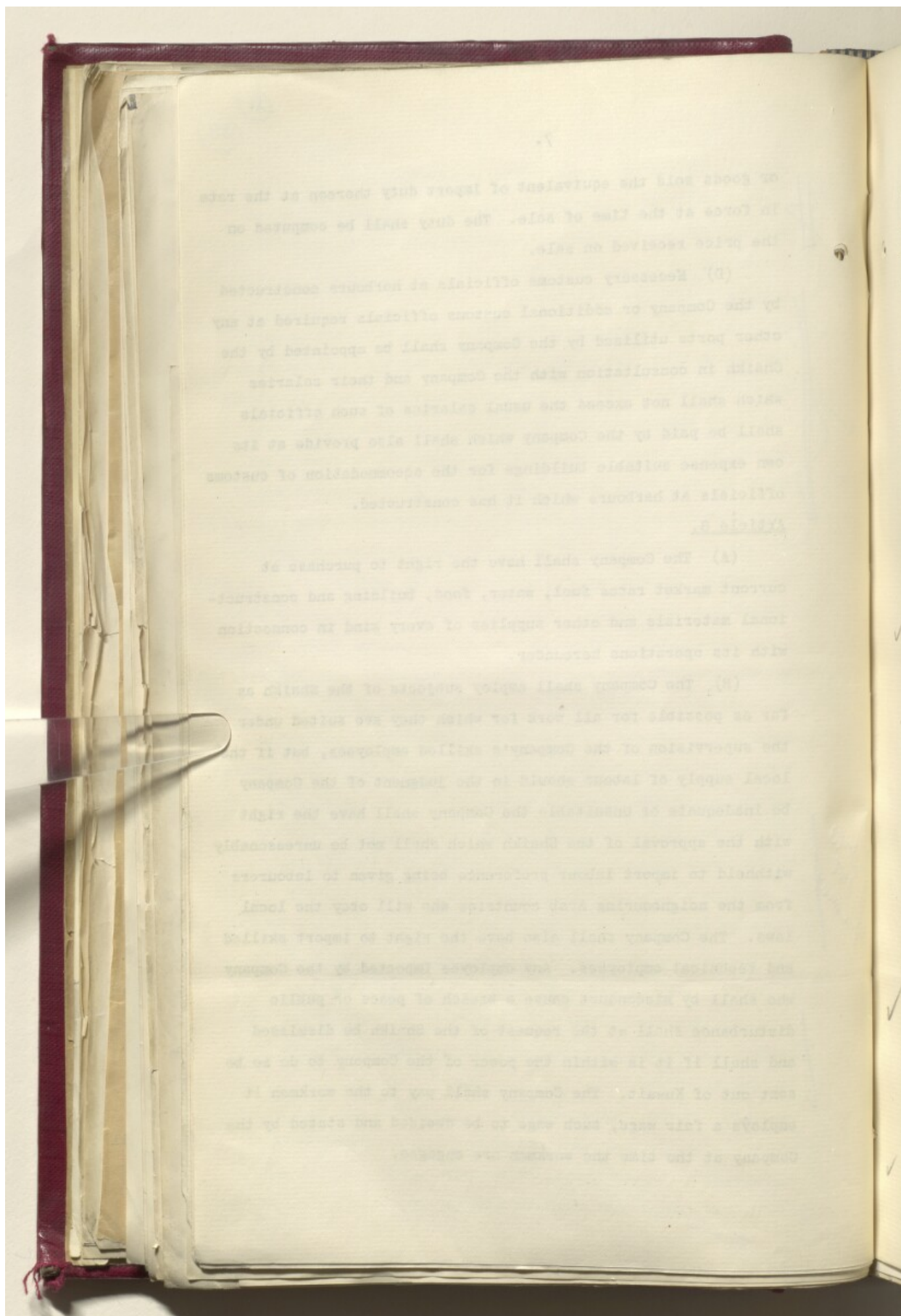
or goods sold the equivalent of import duty thereon at the rate in force at the time of sale. The duty shall be computed on the price received on sale.

(D) Necessary customs officials at harbours constructed by the Company or additional customs officials required at any other ports utilised by the Company shall be appointed by the Shaikh in consultation with the Company and their salaries which shall not exceed the usual salaries of such officials shall be paid by the Company which shall also provide at its own expense suitable buildings for the accommodation of customs officials at harbours which it has constructed.

Article 8.

(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right with the approval of the Shaikh which shall not be unreasonably withheld to import labour preference being given to labourers from the neighbouring Arab countries who will obey the local laws. The Company shall also have the right to import skilled and technical employees. Any employee imported by the Company who shall by misconduct cause a breach of peace or public disturbance shall at the request of the Shaikh be dismissed and shall if it is within the power of the Company to do so be sent out of Kuwait. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.





8.

(C) The Company shall provide free of charge medical service for its employees, and the Shaikh and his family shall have the right to such medical service and necessary medical supplies free of charge.

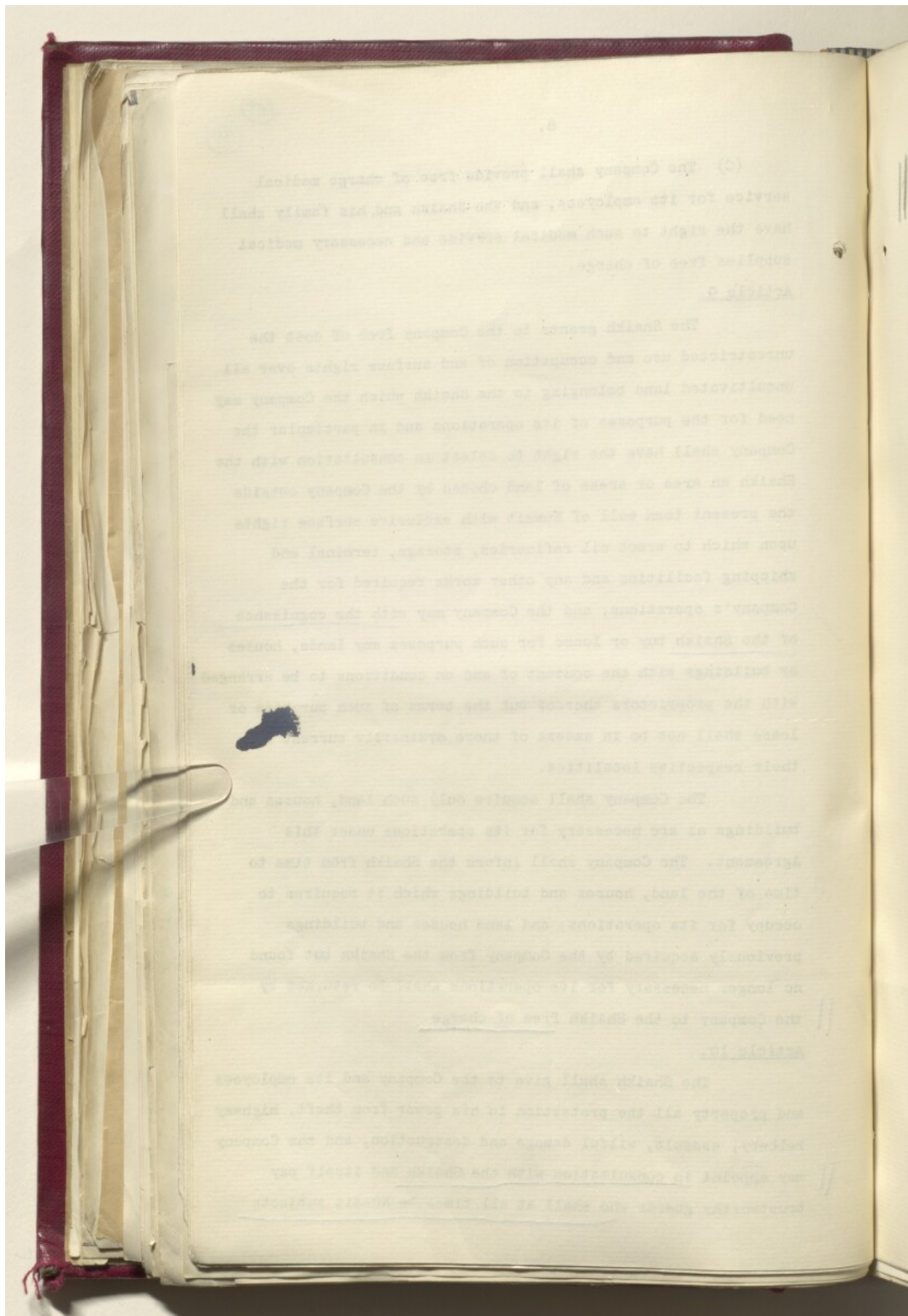
Article 9.

The Shaikh grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Shaikh which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Shaikh an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any other works required for the Company's operations; and the Company may with the cognisance of the Shaikh buy or lease for such purposes any lands, houses or buildings with the consent of and on conditions to be arranged with the proprietors thereof but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities.

The Company shall acquire only such land, houses and buildings as are necessary for its operations under this Agreement. The Company shall inform the Shaikh from time to time of the land, houses and buildings which it requires to occupy for its operations; and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh free of charge.

Article 10.

The Shaikh shall give to the Company and its employees and property all the protection in his power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint in consultation with the Shaikh and itself pay trustworthy guards who shall at all times be Kuwait subjects





9.

unless the Shaikh permits otherwise to assist in protecting the property of the Company and its employees. The Company shall erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.

(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases :-

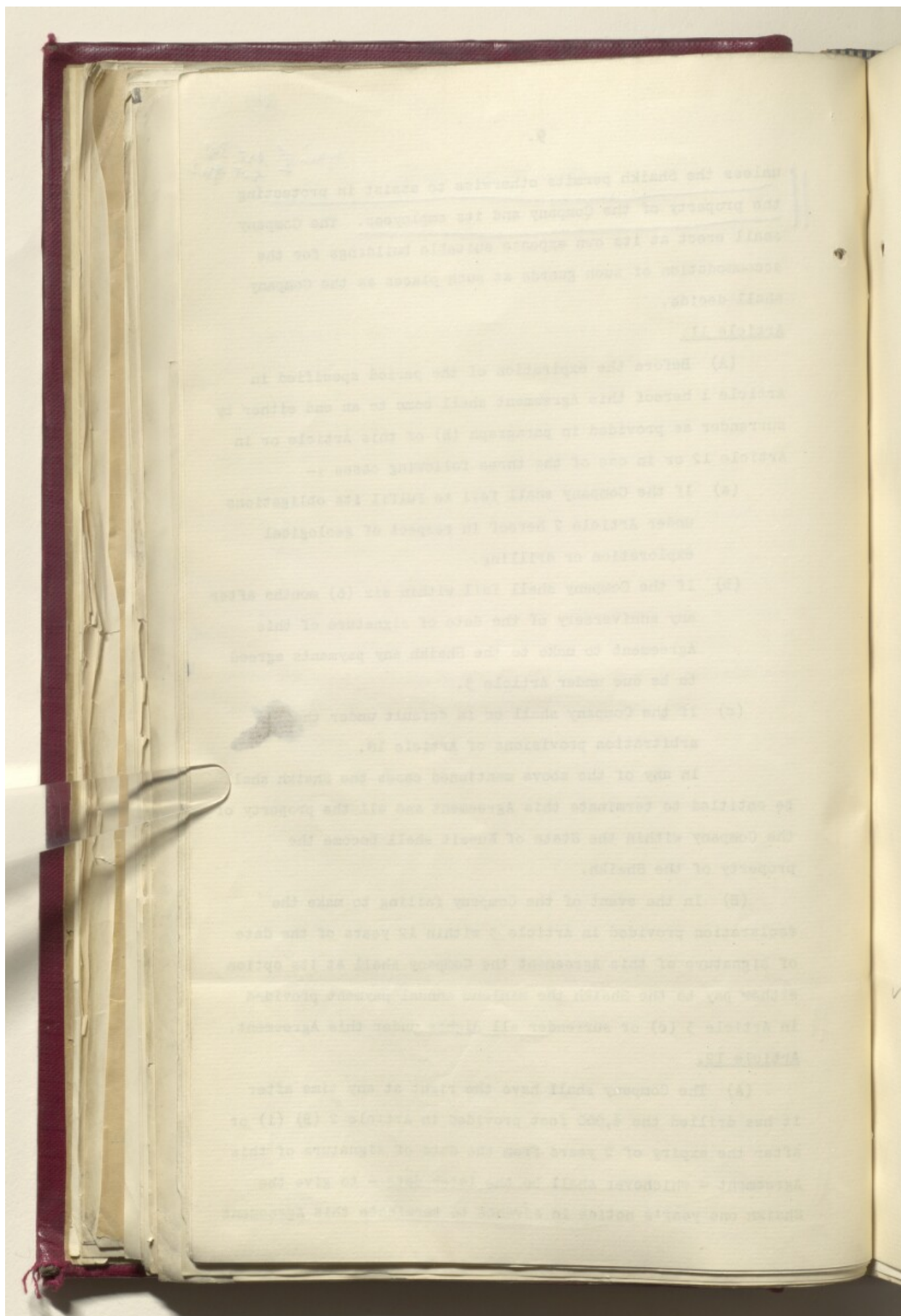
- (a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.
- (b) If the Company shall fail within six (6) months after any anniversary of the date of signature of this Agreement to make to the Shaikh any payments agreed to be due under Article 3.
- (c) If the Company shall be in default under the arbitration provisions of Article 18.

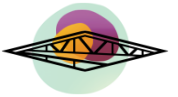
In any of the above mentioned cases the Shaikh shall be entitled to terminate this Agreement and all the property of the Company within the State of Kuwait shall become the property of the Shaikh.

(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Shaikh the minimum annual payment provided in Article 3 (c) or surrender all rights under this Agreement.

Article 12.

(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2 (B) (i) or after the expiry of 2 years from the date of signature of this Agreement - whichever shall be the later date - to give the Shaikh one year's notice in advance to terminate this Agreement





10.

and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Shaikh up to the date of termination.

(B) Should this Agreement be terminated by the Company under this Article 12, then :-

(a) If such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

But

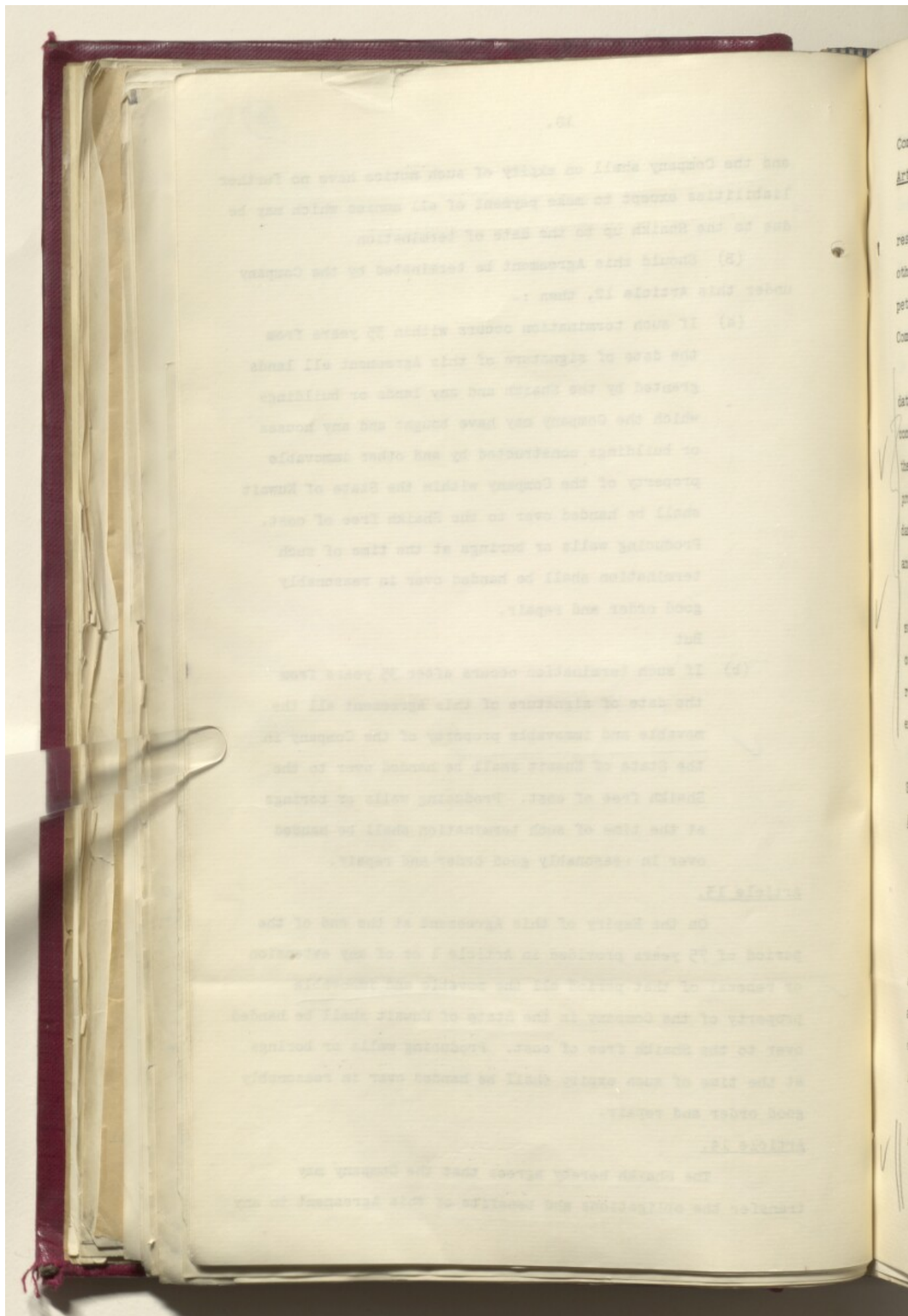
(b) If such termination occurs after 35 years from the date of signature of this Agreement all the movable and immovable property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

Article 13.

On the Expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the movable and immovable property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such expiry shall be handed over in reasonably good order and repair.

Article 14.

The Shaikh hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any





11.

Company registered within the British Empire.

Article 15.

(A) Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions or permits for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

If the Shaikh should at any date subsequent to the date of signature of this Agreement grant to any other parties concessions or permits for substances other than petroleum, the Shaikh undertakes that such concessions shall contain provisions requiring the holders thereof to abstain from damaging impeding or interfering with the property operations and interests of the Company.

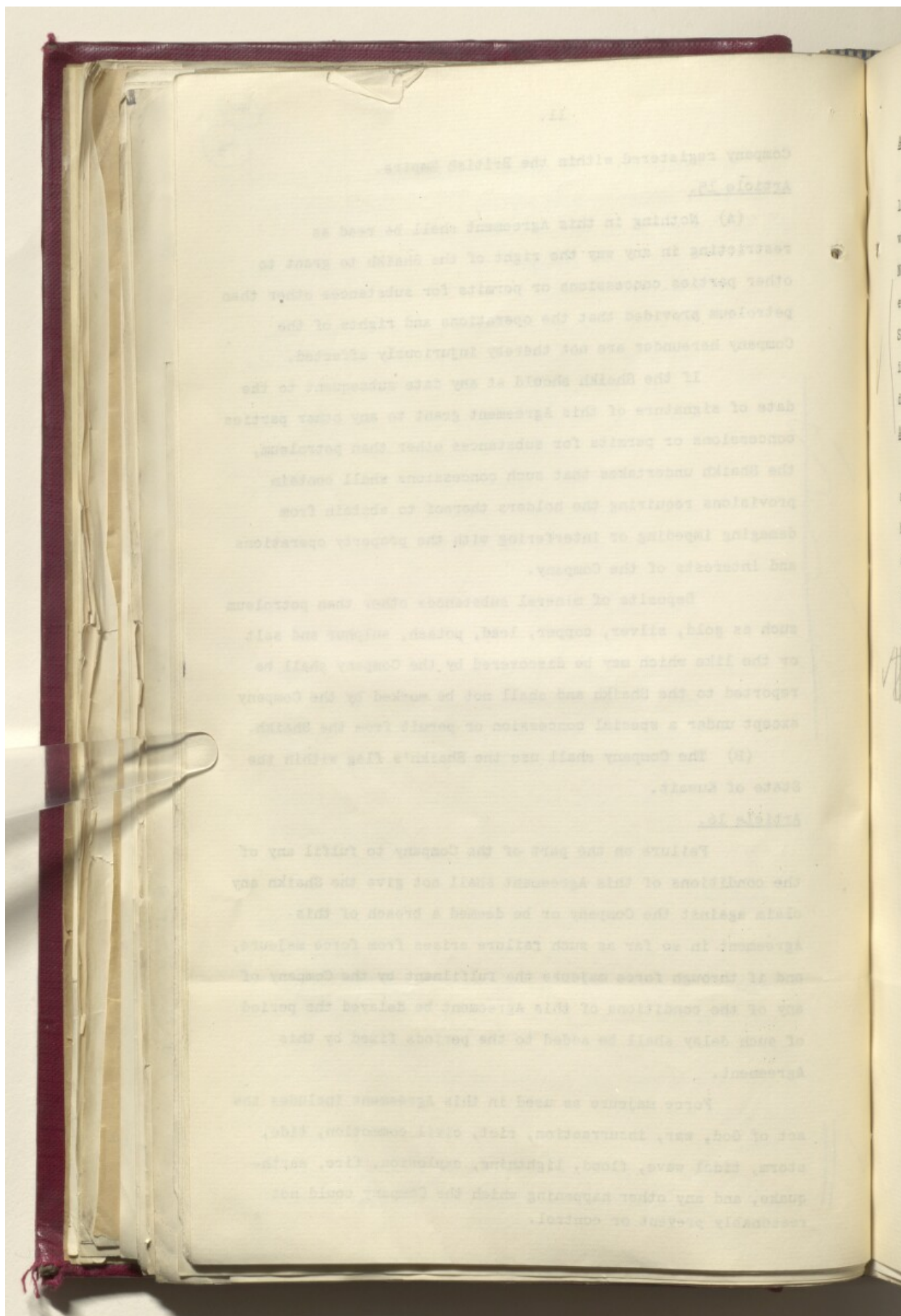
Deposits of mineral substances other than petroleum such as gold, silver, copper, lead, potash, sulphur and salt or the like which may be discovered by the Company shall be reported to the Shaikh and shall not be worked by the Company except under a special concession or permit from the Shaikh.

(B) The Company shall use the Shaikh's flag within the State of Kuwait.

Article 16.

Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.

Force majeure as used in this Agreement includes the act of God, war, insurrection, riot, civil commotion, tide, storm, tidal wave, flood, lightning, explosion, fire, earthquake, and any other happening which the Company could not reasonably prevent or control.





12.

Article 17.

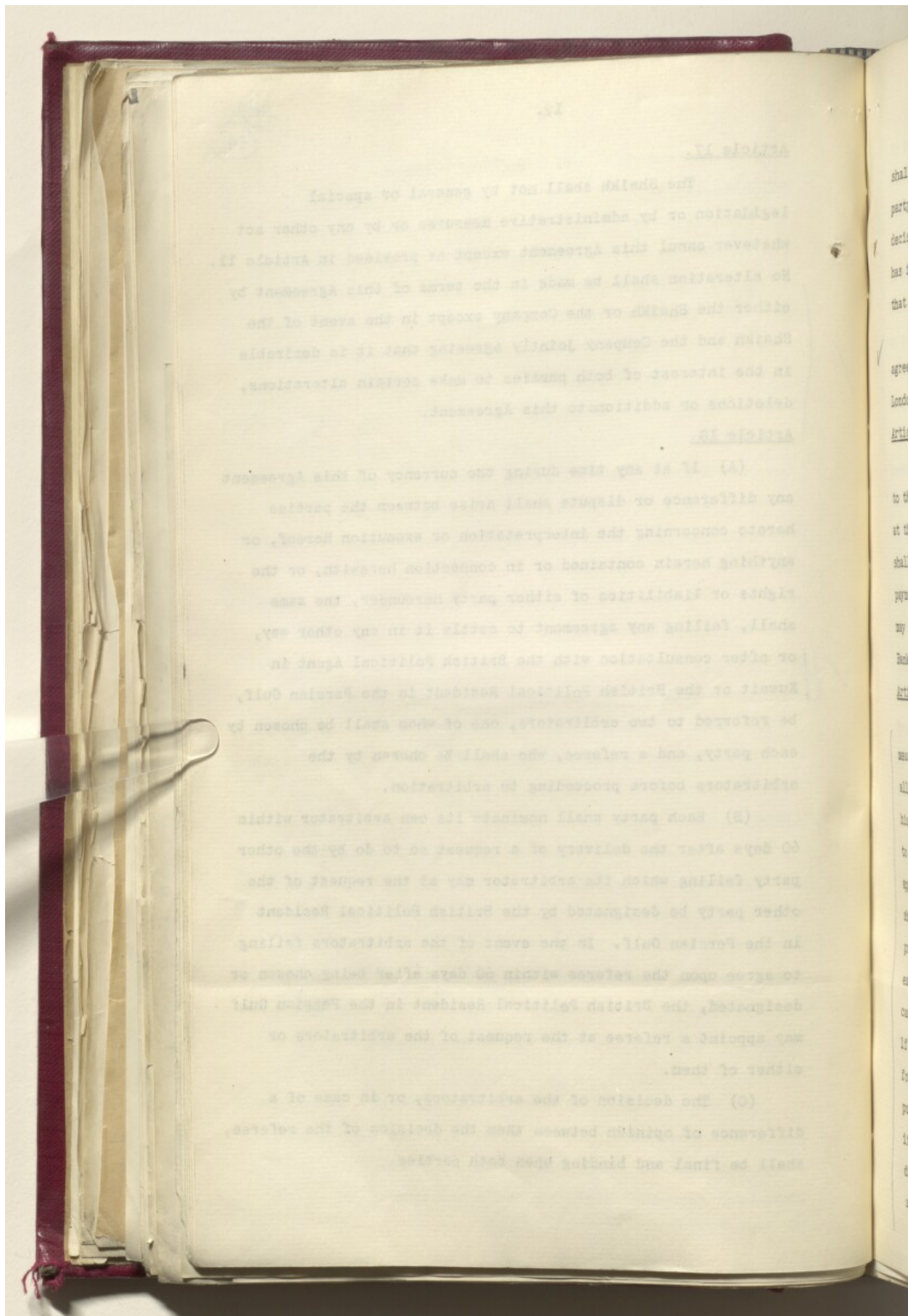
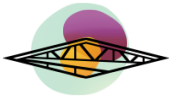
The Shaikh shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement except as provided in Article 11. No alteration shall be made in the terms of this Agreement by either the Shaikh or the Company except in the event of the Shaikh and the Company jointly agreeing that it is desirable in the interest of both parties to make certain alterations, deletions or additions to this Agreement.

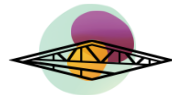
Article 18.

(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, or after consultation with the British Political Agent in Kuwait or the British Political Resident in the Persian Gulf, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.





13.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.

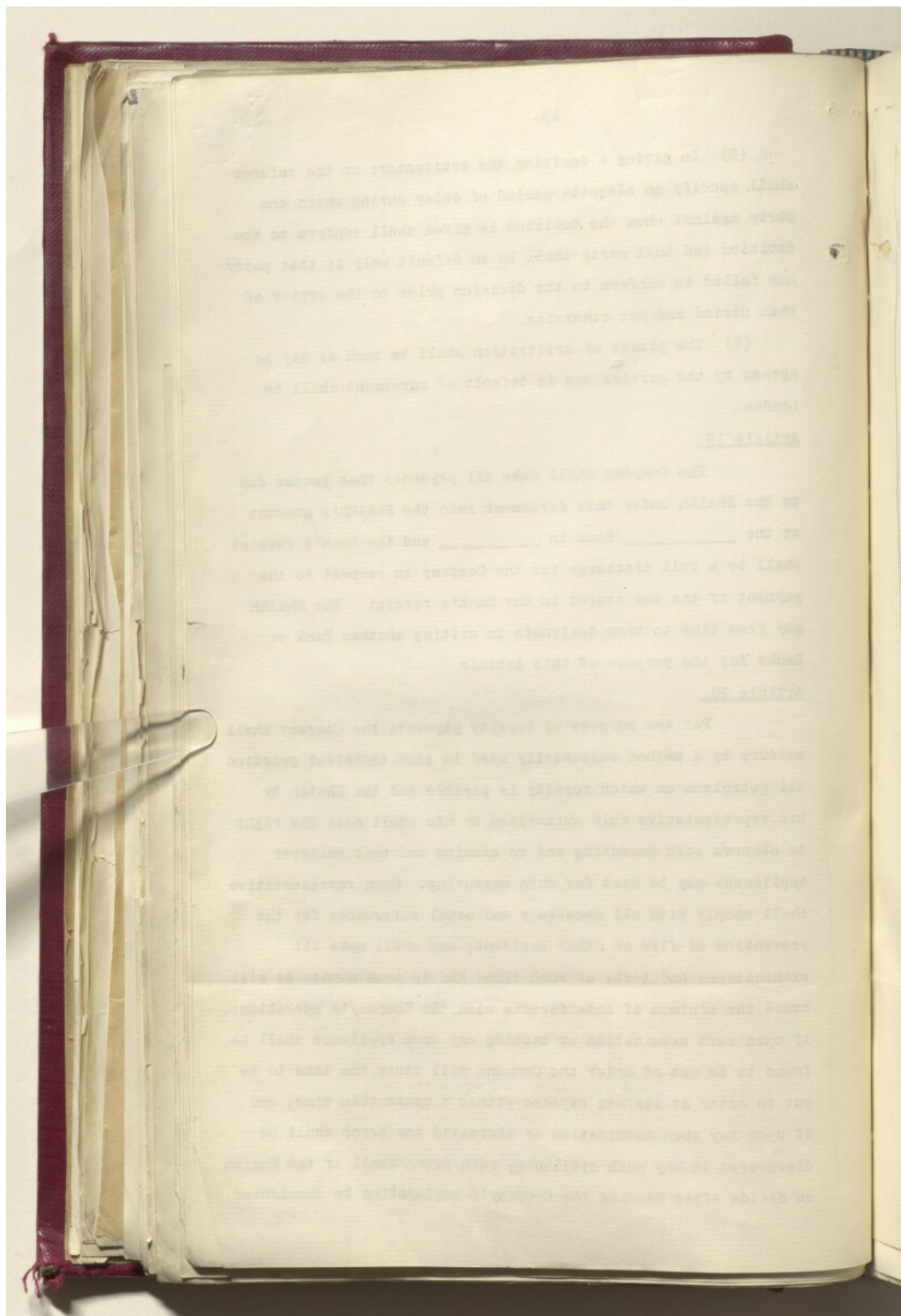
(E) The places of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19.

The Company shall make all payments that become due to the Shaikh under this Agreement into the Shaikh's account at the _____ Bank in _____ and the Bank's receipt shall be a full discharge for the Company in respect to the payment of the sum stated in the Bank's receipt. The Shaikh may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20.

For the purpose of royalty payments the Company shall measure by a method customarily used in good technical practice all petroleum on which royalty is payable and the Shaikh by his representative duly authorised by him shall have the right to observe such measuring and to examine and test whatever appliances may be used for such measuring. Such representative shall comply with all necessary and usual safeguards for the prevention of fire or other accident; and shall make all examinations and tests at such times and in such manner as will cause the minimum of interference with the Company's operations. If upon such examination or testing any such appliance shall be found to be out of order the Company will cause the same to be put in order at its own expense within a reasonable time, and if upon any such examination as aforesaid any error shall be discovered in any such appliance, such error shall if the Shaikh so decide after hearing the Company's explanation be considered





14.

to have existed for three (3) calendar months previous to the discovery thereof or from the last occasion of examining the same in case such occasion shall be within such period of three (3) calendar months and the royalty shall be adjusted accordingly. If the Company should find it necessary to alter repair or replace any measuring appliance it shall give reasonable notice to the Shaikh or his representative to enable a representative of the Shaikh to be present during such alteration, repair, or replacement.

The Company shall keep full and correct records of all measurements as aforesaid and the said representative of the Shaikh shall have access at all reasonable times to such records and shall be at liberty to make extracts from them. Such records shall be treated as confidential by the Shaikh and his representatives with the exception of such figures therein as the Shaikh may be required by law to publish.

Article 21.

This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

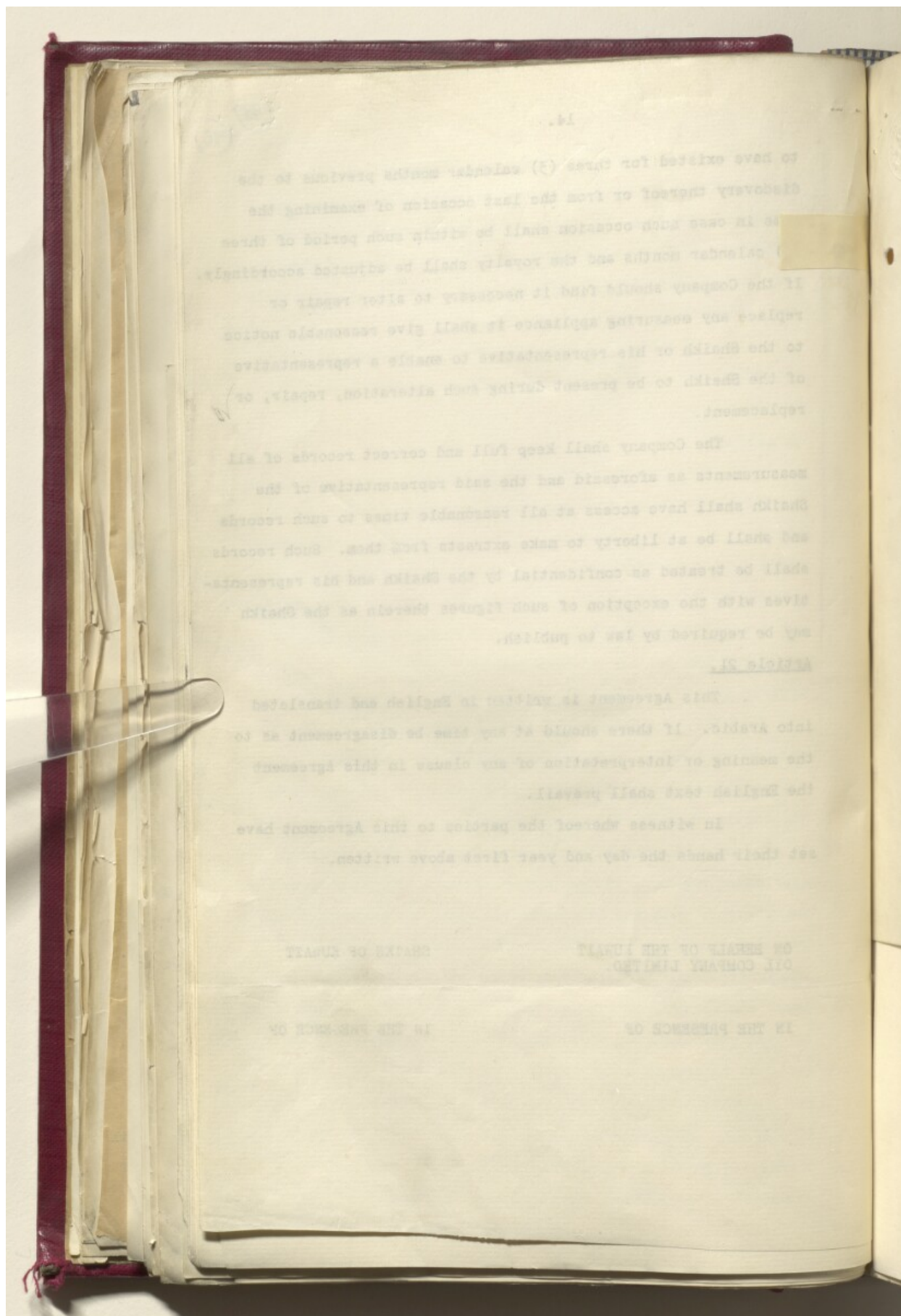
In witness whereof the parties to this Agreement have set their hands the day and year first above written.

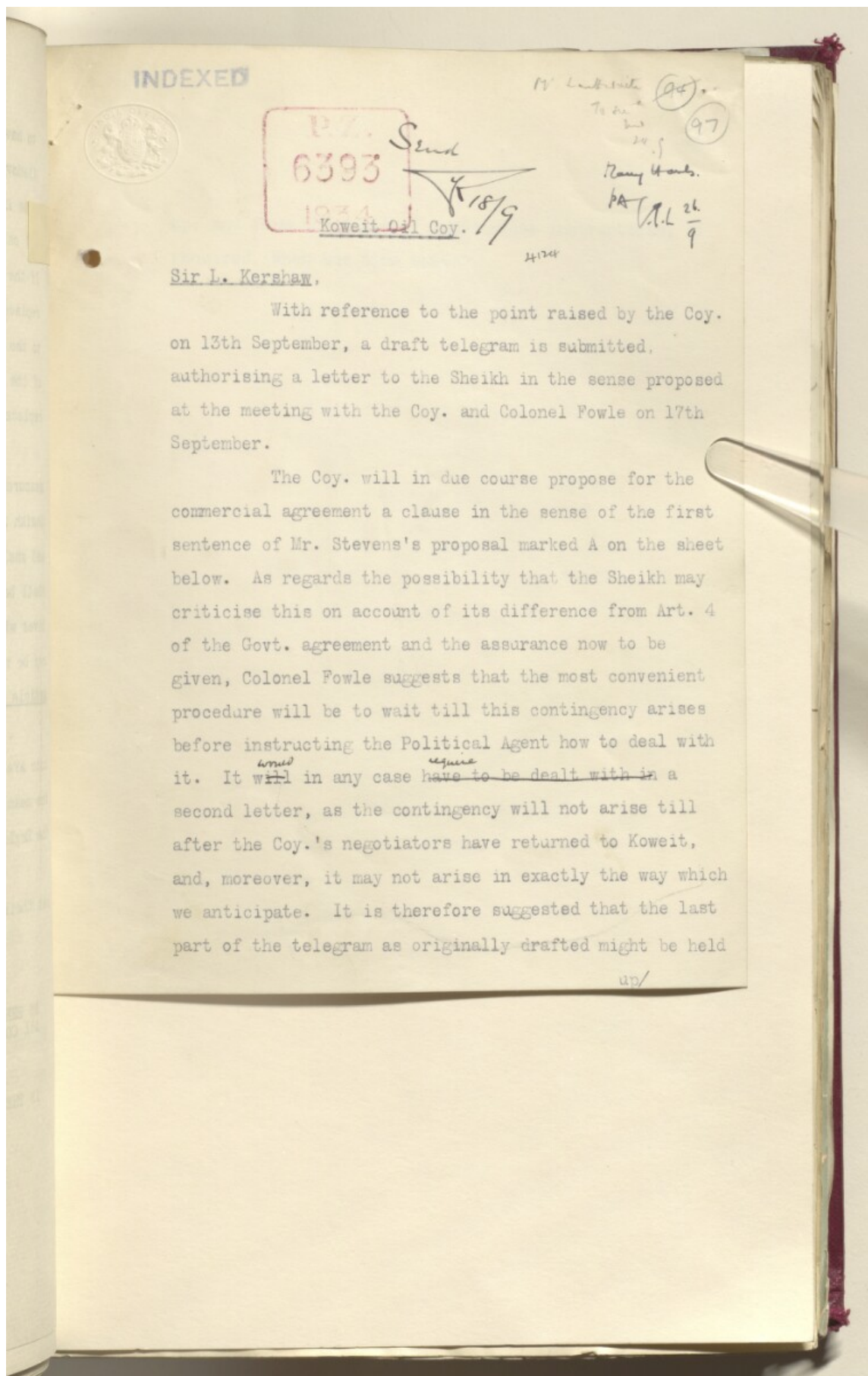
ON BEHALF OF THE KUWAIT
OIL COMPANY LIMITED.

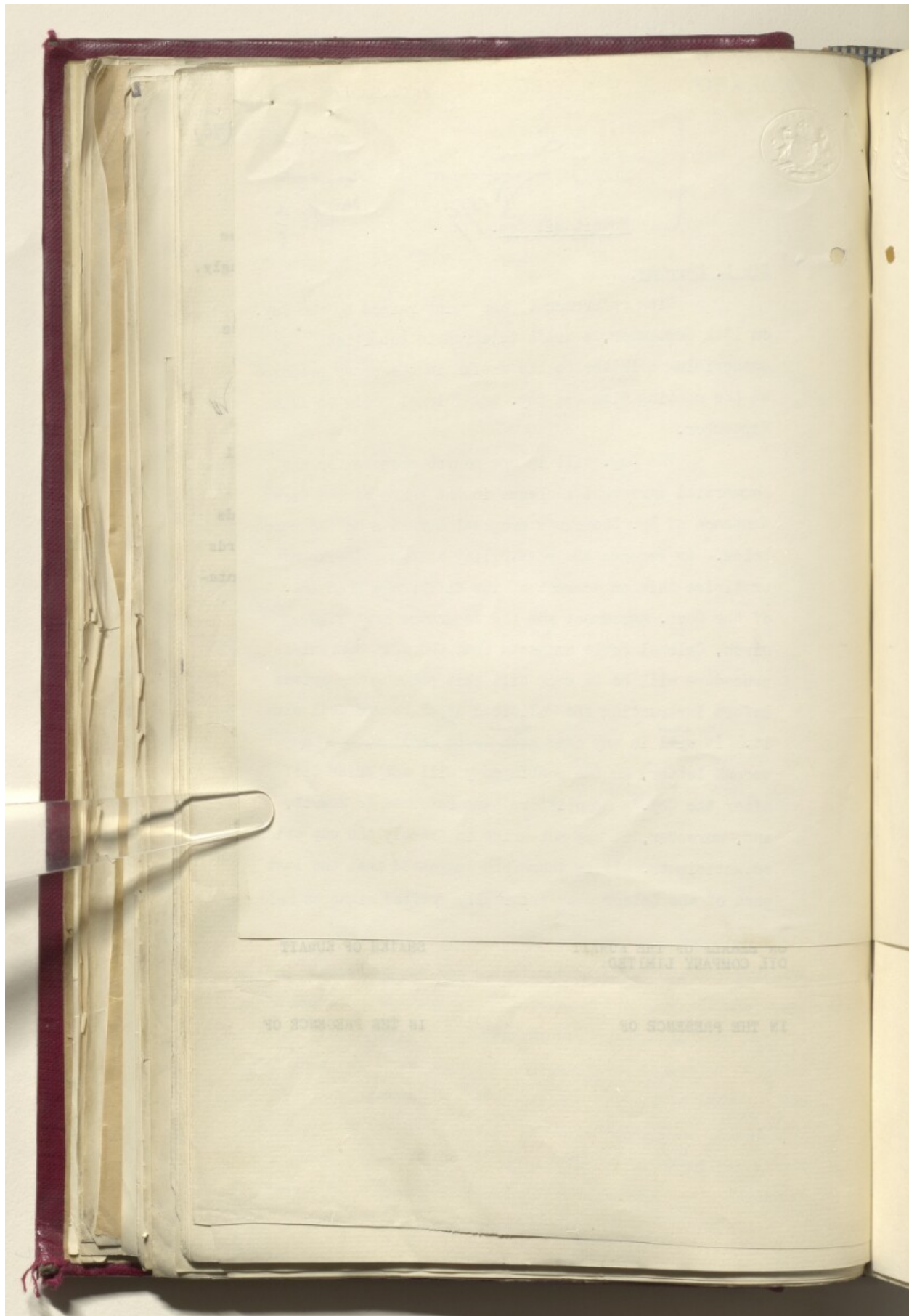
SHAIKH OF KUWAIT

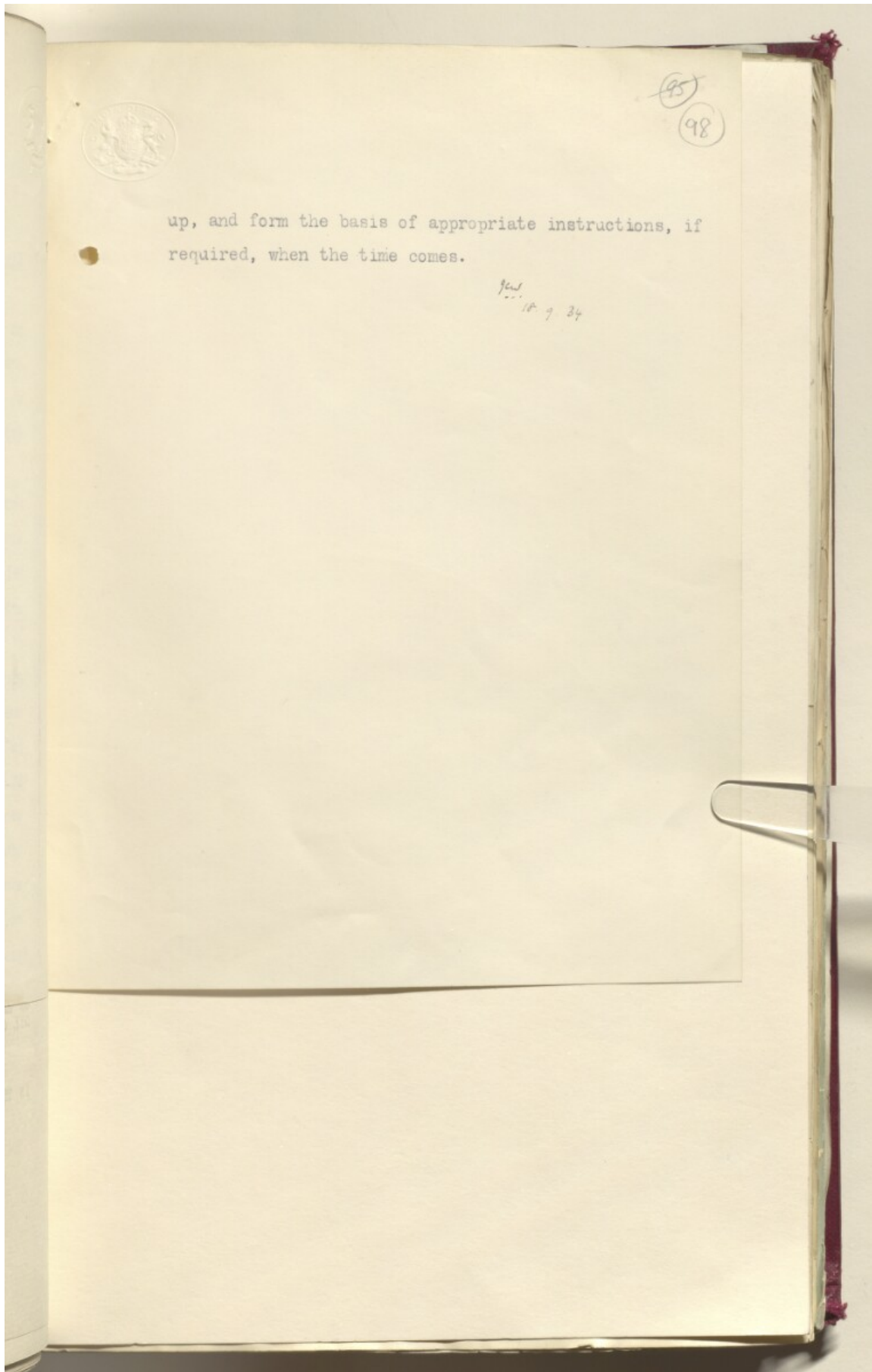
IN THE PRESENCE OF

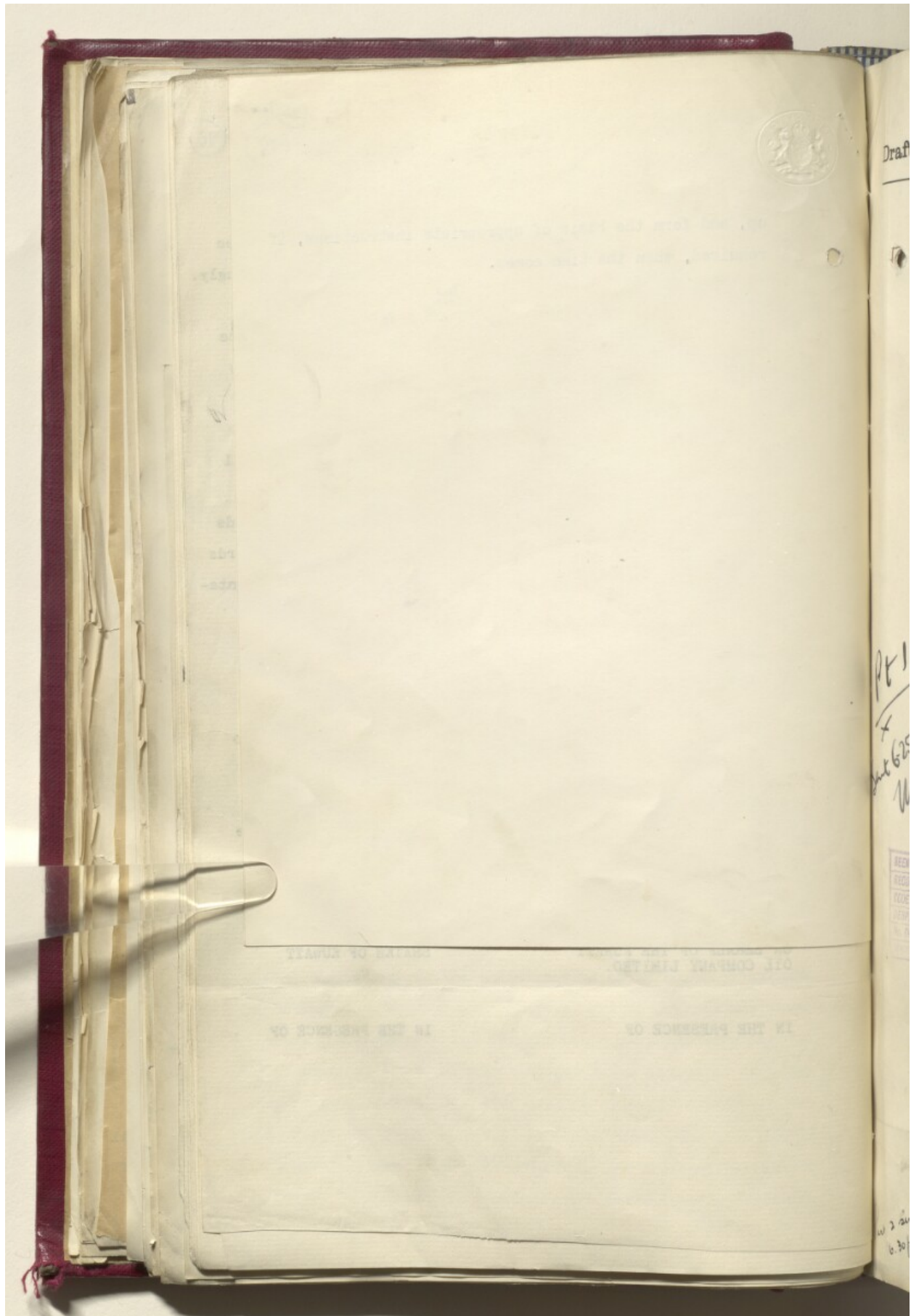
IN THE PRESENCE OF













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P 2 6393/34 (96)

Draft Paper. *P 2 5189/34* Department. (99)

First of 3 Parts

DRAFT TELEGRAM:

Addressed to
From S. of S. for I. to Political
Resident in Kuwait, Kuwait No. 2207
Repeated to Pol. Agent, Kuwait, and
G. of I., F. & P. Dept. No. 2208

Cypher X

40.
29 OCT 1934

PT 1
mt 625m
WJ.

18.9.34

SEEN BY	DATE	TIME
RECD. IN TEL. BOM.	18/9	5.30 P.M.
CODE, X or XX	X	
DESPATCHED	18/9/34	6.30 P.M.
NO. OF WORDS	446	443
SENDING INITIALS		

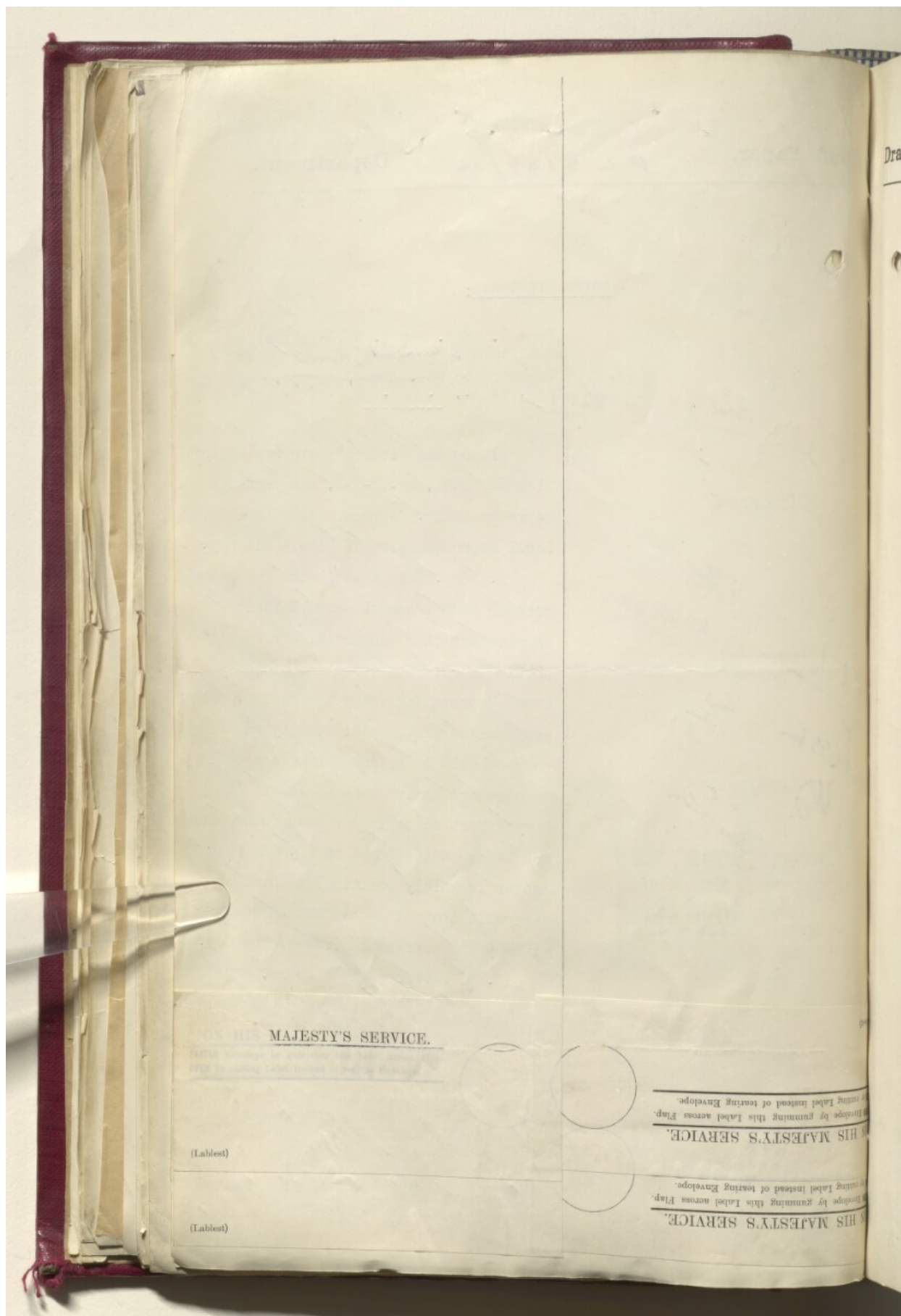
Second Part

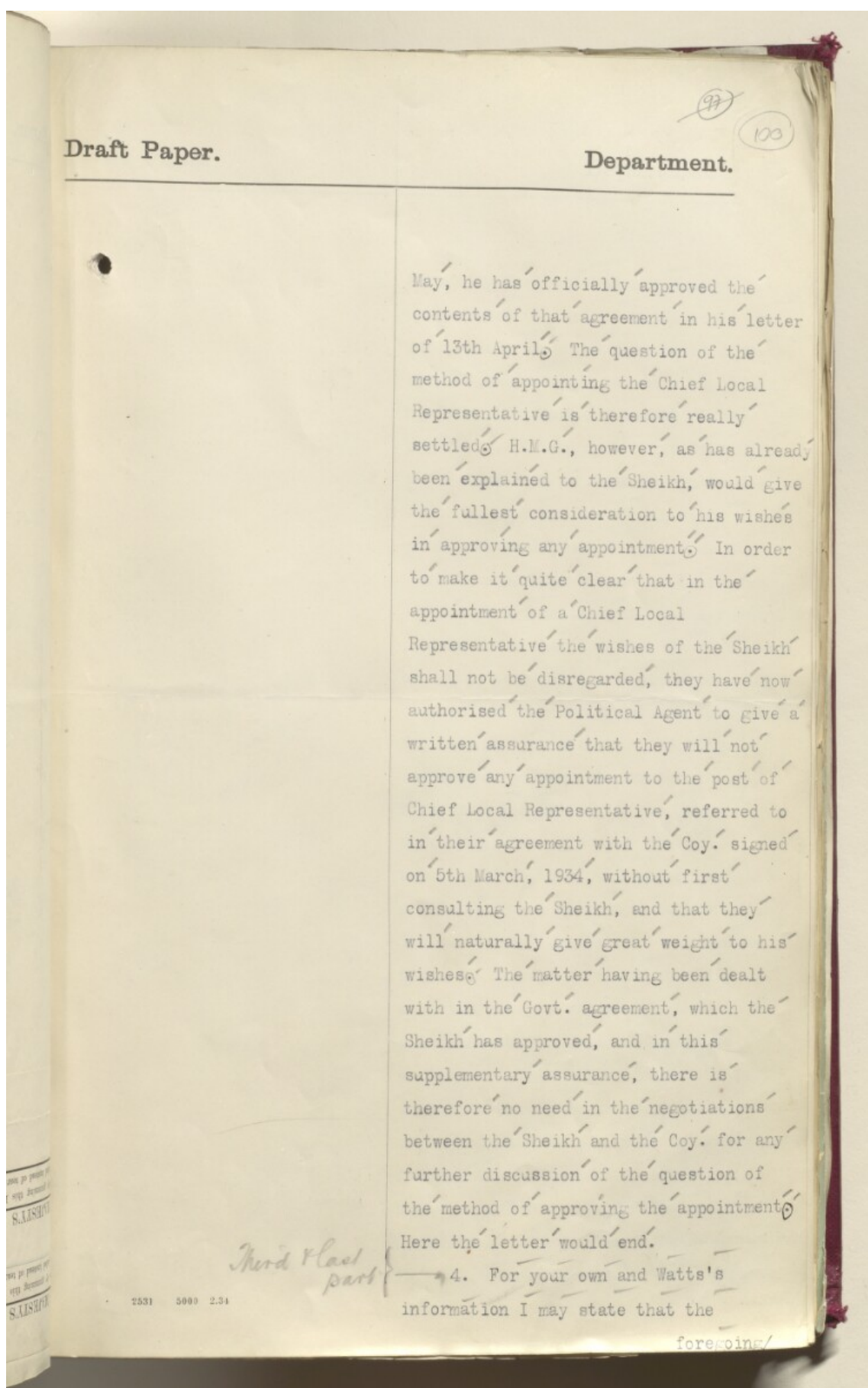
2 sent x 18/9/34
6.30 pm 2531 2.34
aug.

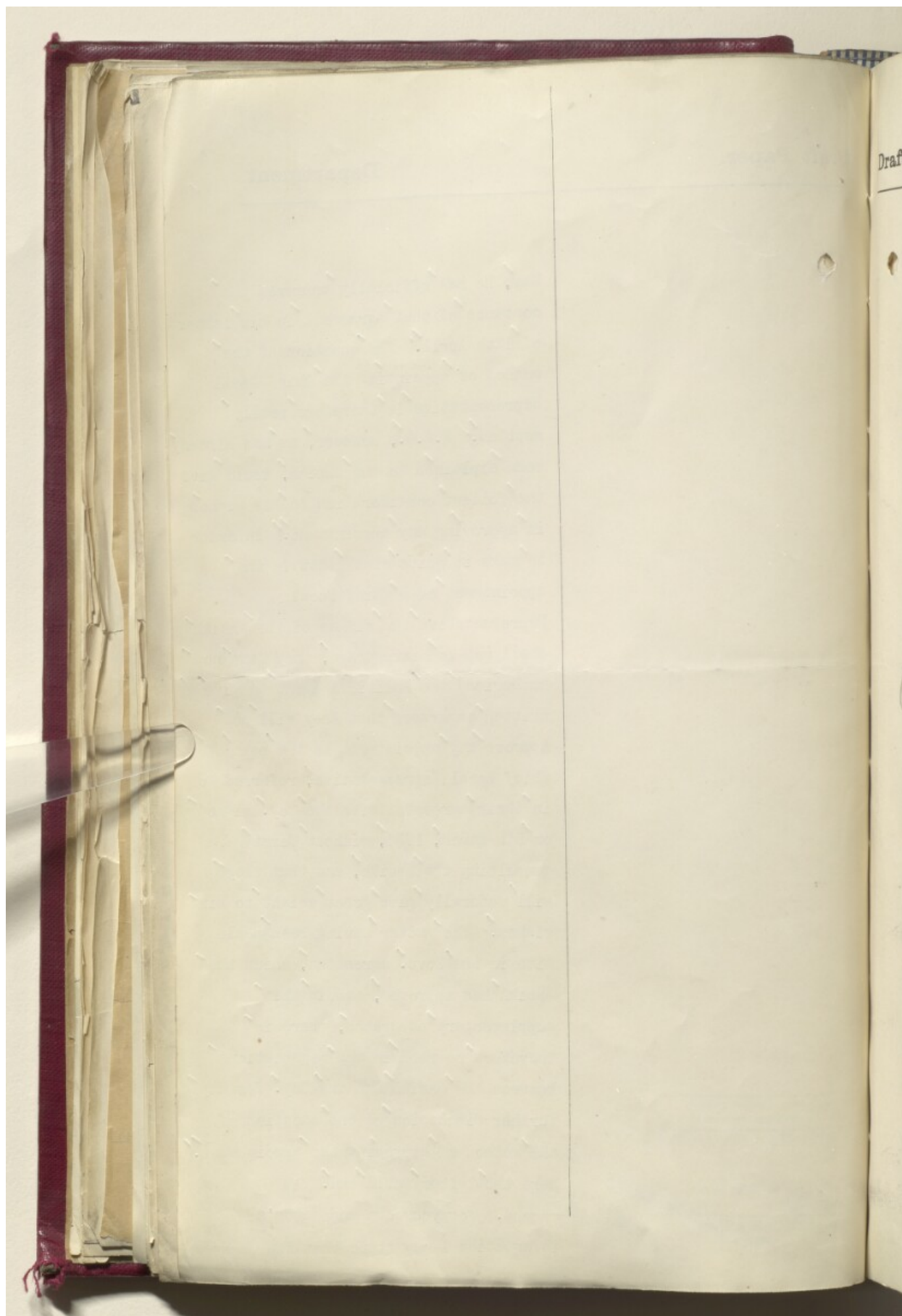
Please see Dickson's express letter, 31st May last, No. C-203, and connected correspondence. Appointment of Chief Local Representative of Koweit Oil Coy.

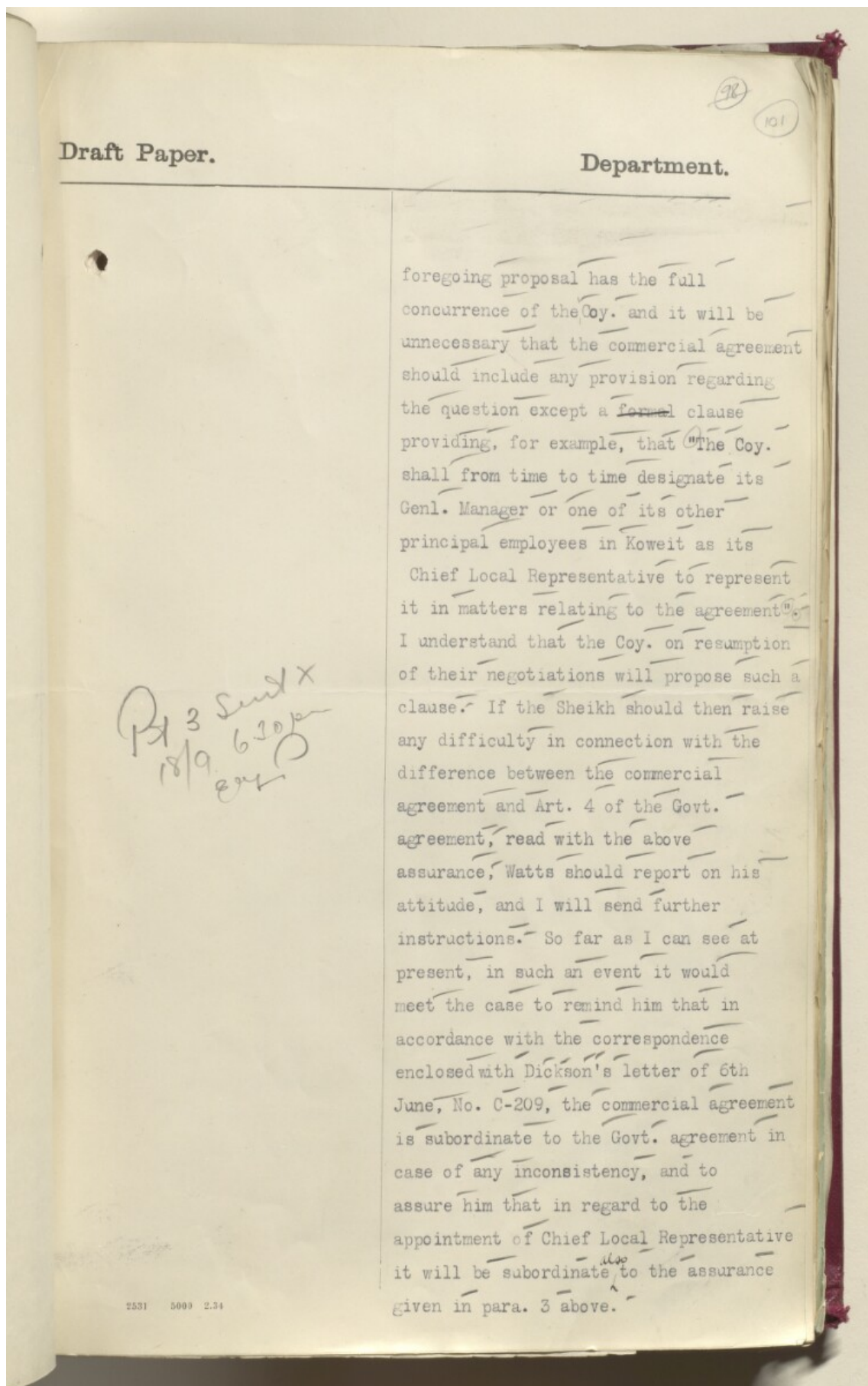
2. Coy. fear that Sheikh has not receded from proposal made to their negotiators that commercial agreement should provide for selection of Chief Local Representative by the Sheikh. They are anxious that any difficulty on this score should be cleared up before their negotiators arrive back at Koweit (as they expect to do in the near future but not before end of next week). As this matter is mainly political I think it desirable that it should not be dealt with by the representatives of the Coy.

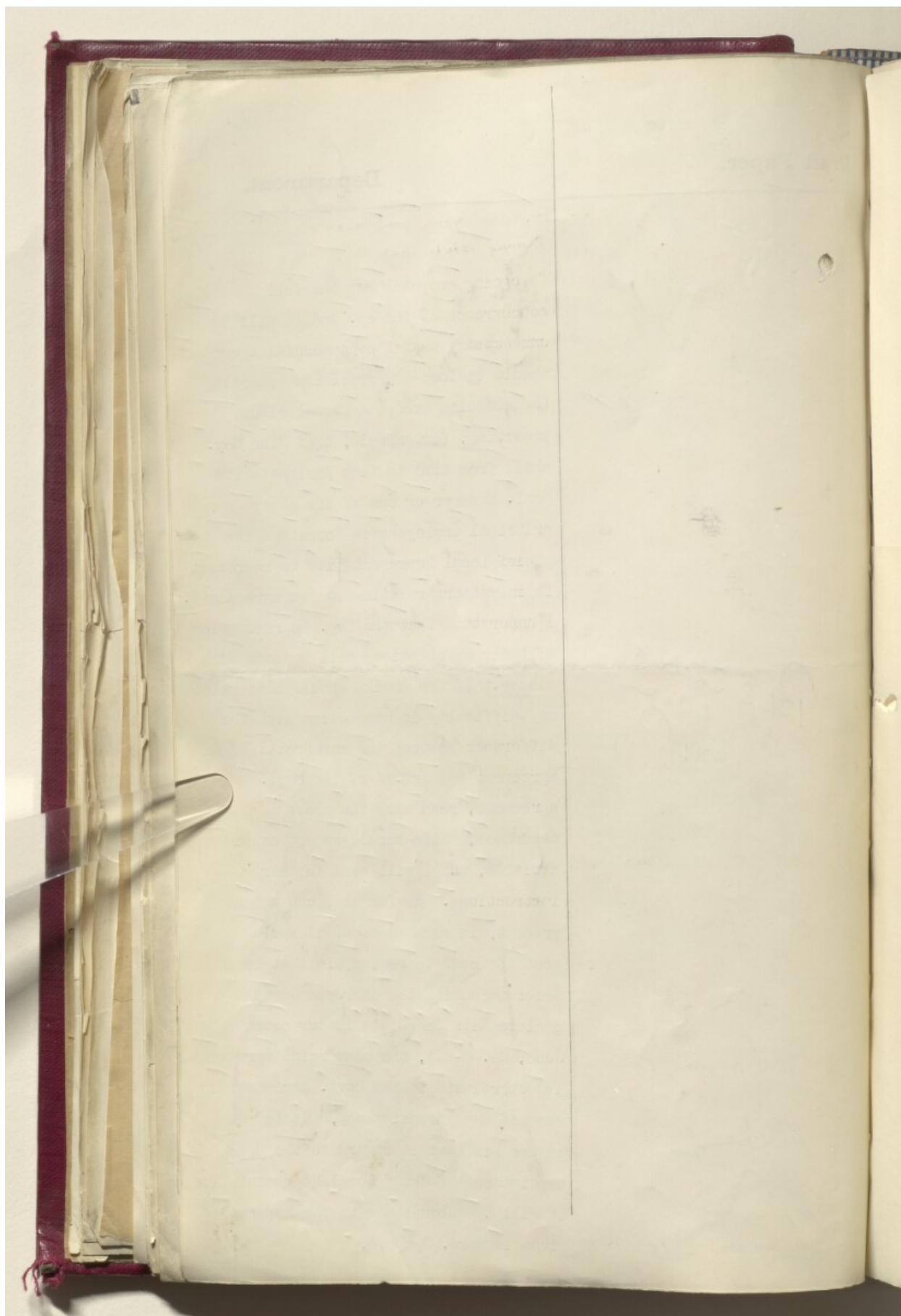
3. I have consulted Fowle, and unless you see any strong objection should be glad if Watts could address a letter to the Sheikh in the following sense. Letter should refer to Art. 4 of the political agreement, and remind the Sheikh that as he himself pointed out in his conversation with Dickson on 31st May

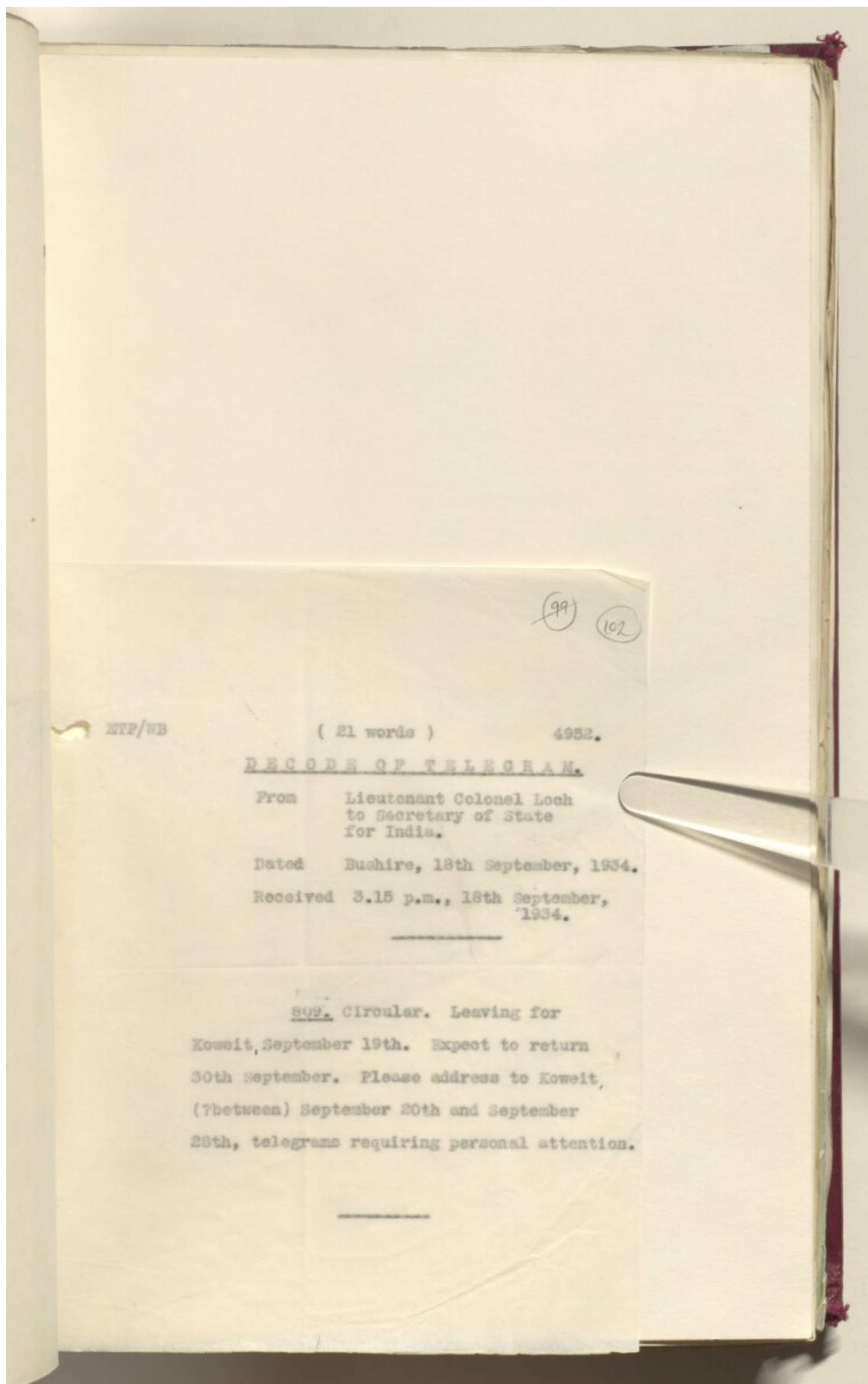












ETP/WB

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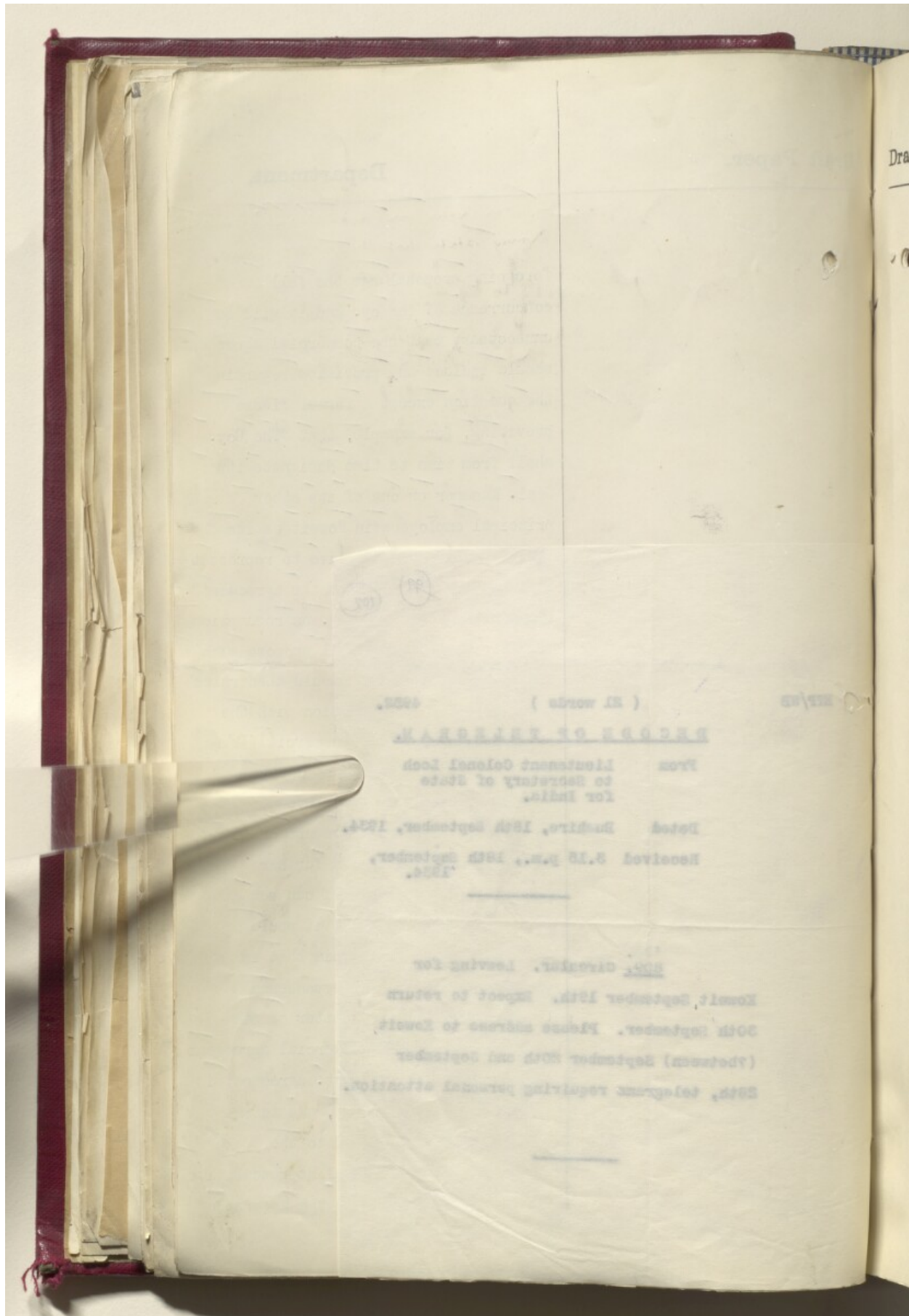
DECODE OF TELEGRAM.

From Lieutenant Colonel Loch
to Secretary of State
for India.

Dated Bushire, 18th September, 1934.

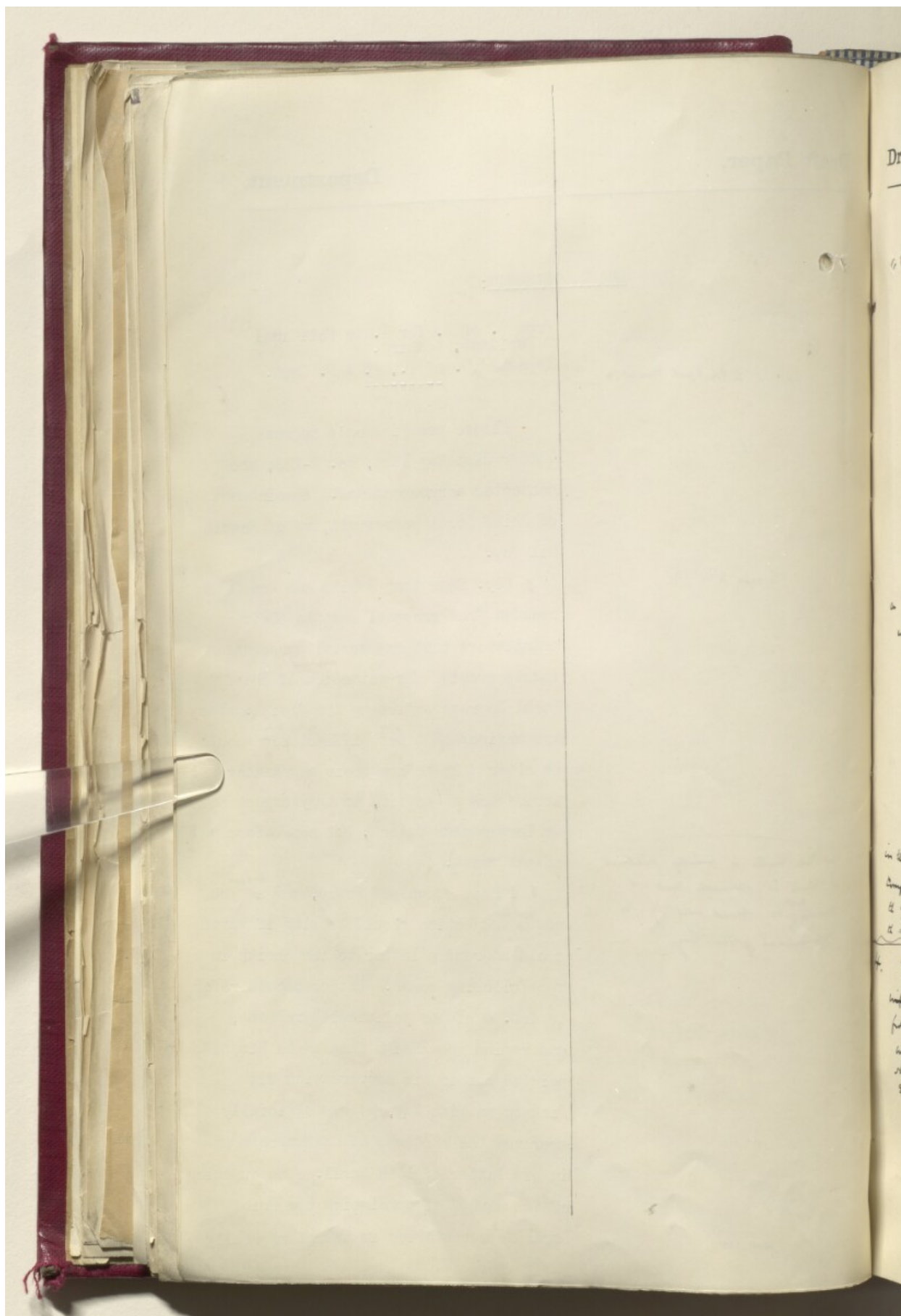
Received 3.15 p.m., 18th September,
1934.

809. Circular. Leaving for
Koweit, September 19th. Expect to return
30th September. Please address to Koweit,
(?between) September 20th and September
20th, telegrams requiring personal attention.





Draft Paper.	Department.
<p><i>to Pol. Agent, Kuwait +</i></p> <p><i>PZ 4/24/34</i></p> <p><i>Cypher X</i></p> <p><i>As this matter is mainly political I think it desirable that it should be dealt with by the representatives of the Coy.</i></p>	<p style="text-align: right;">(100) (103)</p> <p><u>DRAFT TELEGRAM:</u></p> <p>From S. of S. for I. to Political Resident, Bushire. Repeated G. of I., F. & P. Dept. -----</p> <p>Please see Dickson's express letter 31st May last, No. C-203, and connected correspondence. Appointment of Chief Local Representative of Koweit Oil Coy.</p> <p>2. Coy. fear that Sheikh has not receded from proposal made to their negotiators that commercial agreement should provide for selection of Chief Local Representative by the Sheikh. They are anxious that ^{any} all difficulties ^{as far as} should be cleared up before their negotiators arrive back at Koweit (as they expect to do in the near future, but not before end of next week).</p> <p>3. I have consulted Fowle, and ^{unless} if you see ^{any strong} no objection should be glad if Watts could address a letter to the Sheikh in the following sense. Letter should refer to Art. 4 of the political agreement, and remind the Sheikh that as he himself pointed out in his conversation with Dickson on 31st May, he has officially approved the contents of that agreement in his letter of 13th April. The question of the method of appointing the Chief Local Representative is therefore really settled/</p>





Draft Paper.

Department.

settled, H.M.G., however, as has been ^{stated} explained to the Sheikh, would always give the fullest consideration to his wishes in approving any appointment. In order ~~that the matter may be made~~ quite clear they have now authorised the Political Agent to give a written assurance that they will not approve any appointment to the post of Chief Local Representative, referred to in their agreement with the Coy. signed on 5th March, 1934, without first consulting the Sheikh, and that they will naturally give great weight to his wishes.

The matter has been dealt with in the Govt. agreement, which the Sheikh has approved, and in this supplementary assurance, there is ^{therefore} no need for any further discussion of the point in the negotiations with the Coy. and so far as the commercial agreement is ~~concerned, it would suffice to provide~~ ^{should refer to the fact that the Coy. shall from time to time designate its Genl. Manager or one of its other principal employees in Kuwait as its Chief Local Representative to represent it in matters relating to the agreement". If however the Sheikh should raise any difficulty in connection with the difference/}

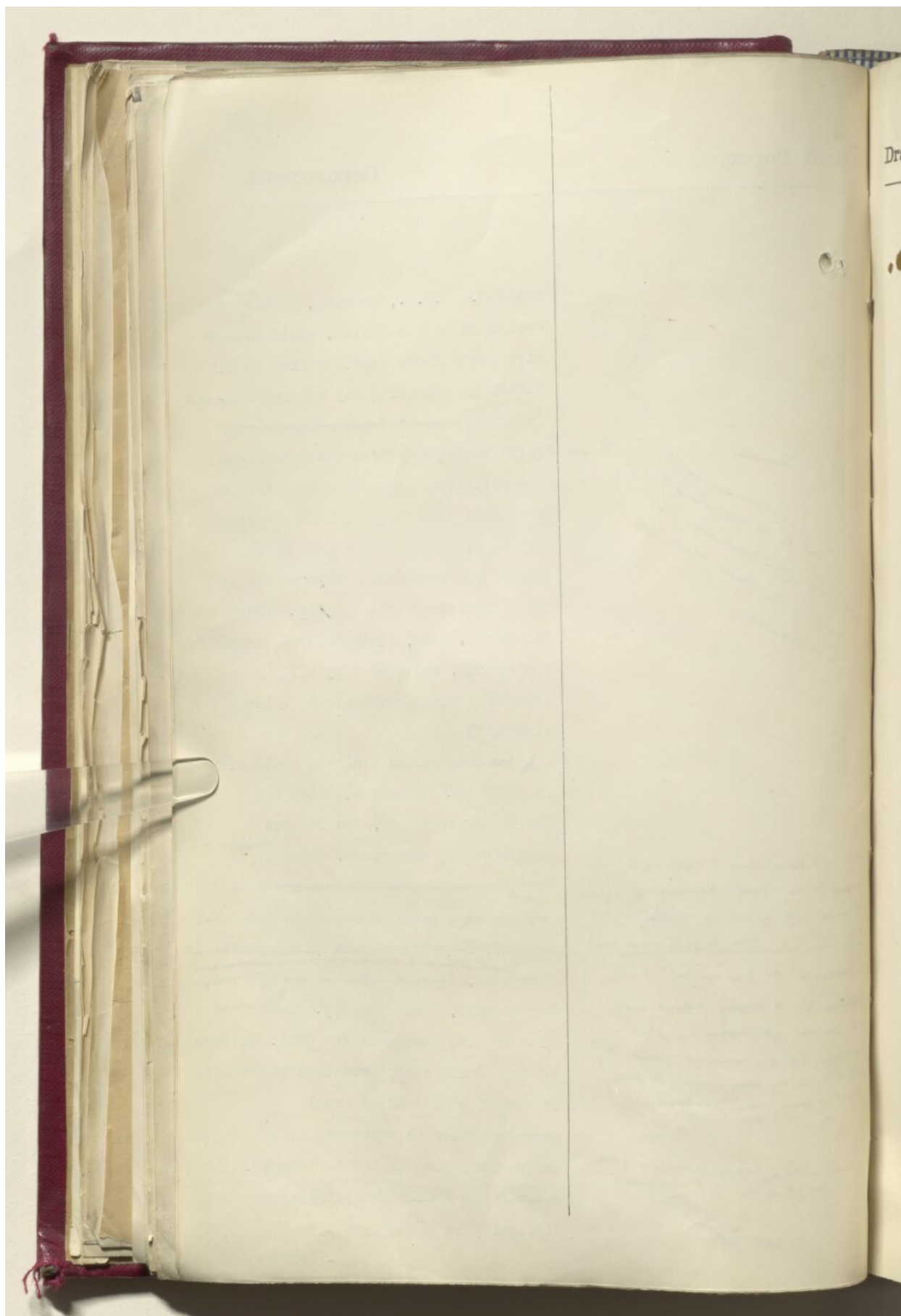
to make it clear in the appointment of a Chief Local Representative the wishes of the Sheikh shall not be disregarded.

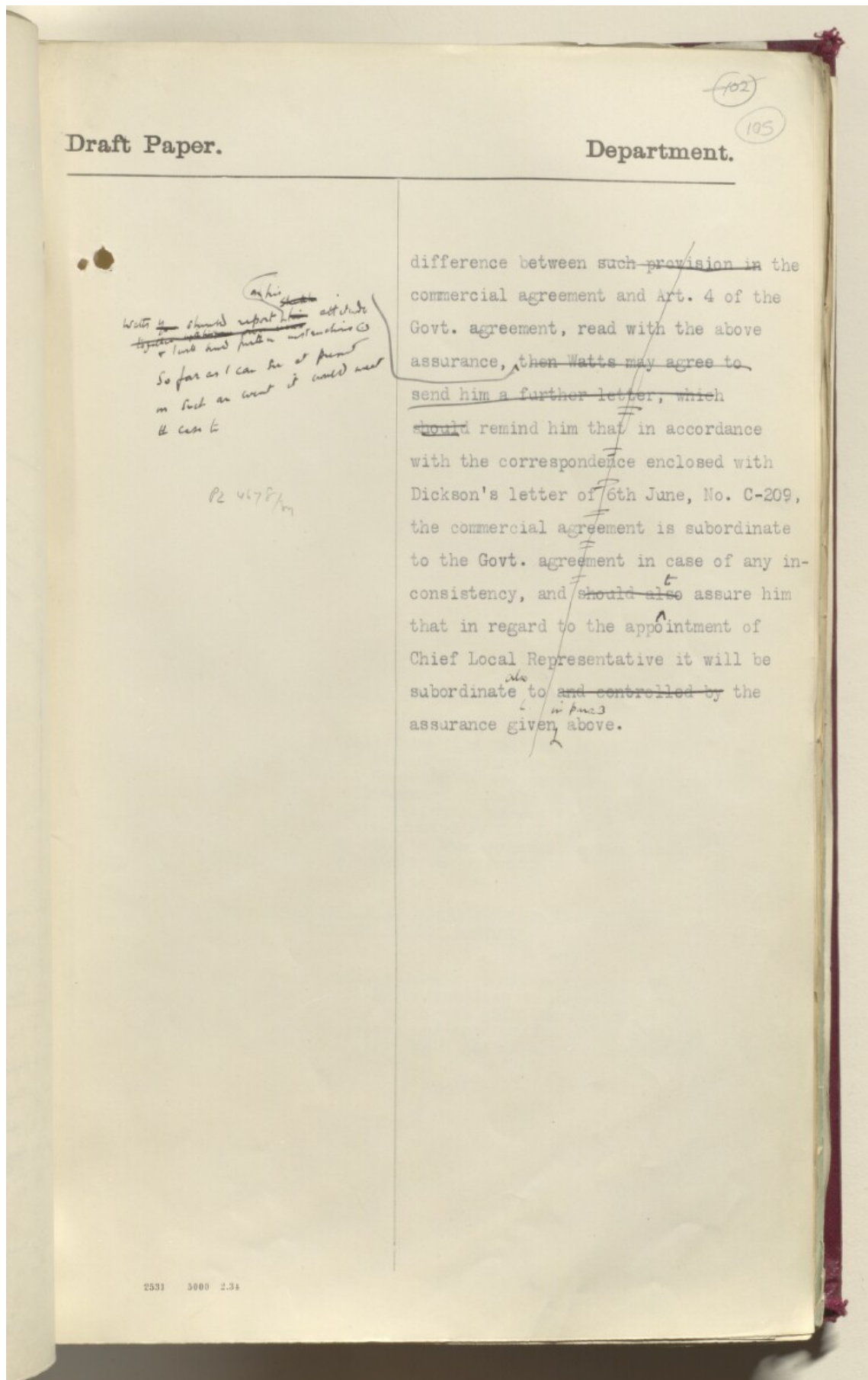
in the negotiations between the Sheikh & the Company for any further discussion of the question of the method of approving the appointment. Here the latter would end.

For your own part I may state that the foregoing proposal has the full concurrence of the Company & it will be unnecessary but the commercial agreement should include any provision regarding the future except a formal clause providing

I understand that the Company on completion of their negotiations will propose such a clause.

2531 5000 2.34





Draft Paper.

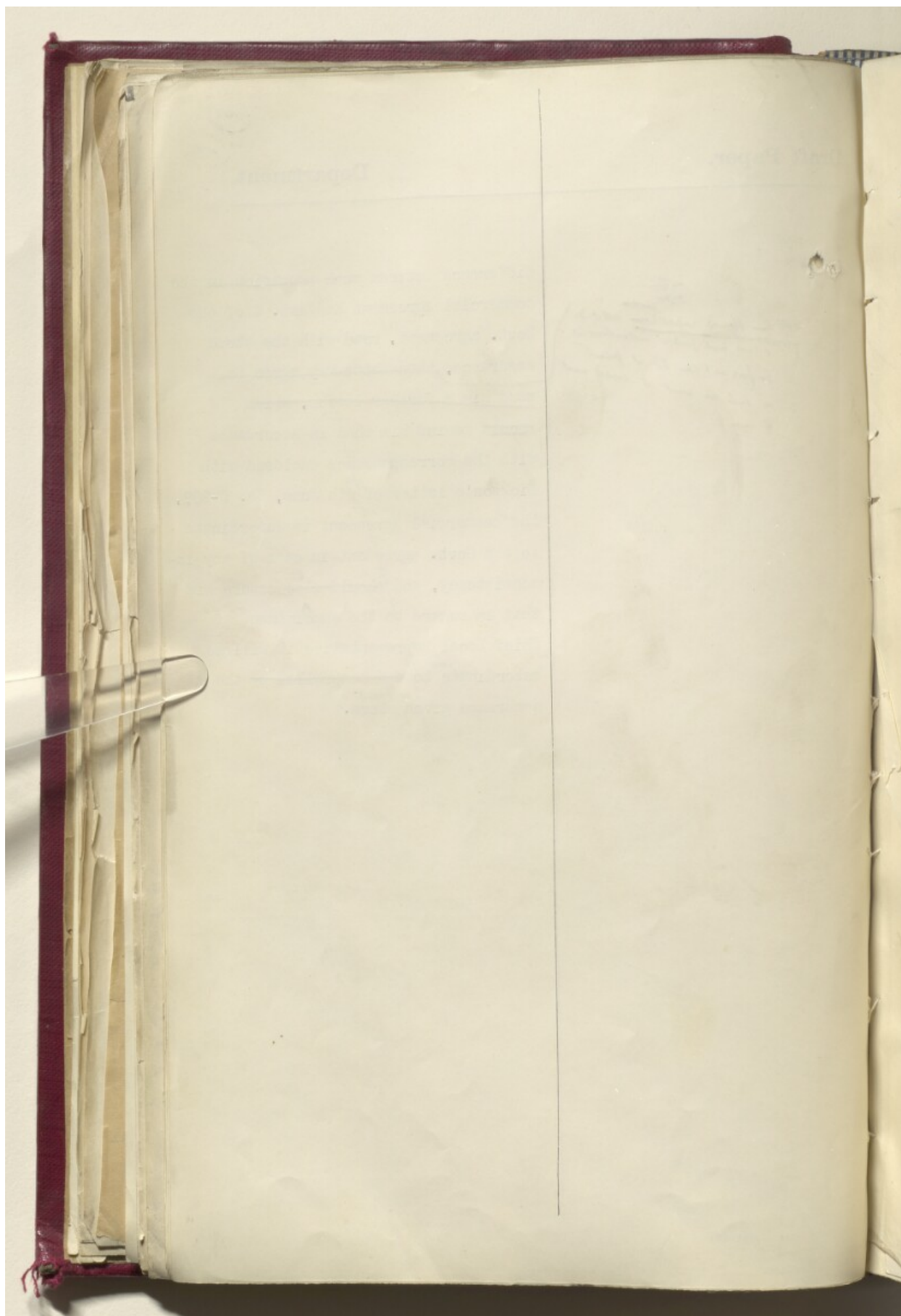
Department.

*Watts should report his attitude
to the Govt. and then Watts may agree to
send him a further letter, which
should remind him that in accordance
with the correspondence enclosed with
Dickson's letter of 6th June, No. C-209,
the commercial agreement is subordinate
to the Govt. agreement in case of any in-
consistency, and should also assure him
that in regard to the appointment of
Chief Local Representative it will be
subordinate to and controlled by the
assurance given above.*

P2 4678/101

difference between such provision in the commercial agreement and Art. 4 of the Govt. agreement, read with the above assurance, then Watts may agree to send him a further letter, which should remind him that in accordance with the correspondence enclosed with Dickson's letter of 6th June, No. C-209, the commercial agreement is subordinate to the Govt. agreement in case of any inconsistency, and should also assure him that in regard to the appointment of Chief Local Representative it will be subordinate to and controlled by the assurance given above.

2531 5000 2.34





(103)
(106)

KUWAIT OIL COMPANY, LIMITED.

CHIEF LOCAL REPRESENTATIVE.

Extract from Government Agreement.

4. ONE of the superior local employees of the Company shall be designated chief local representative of the Company in Koweit. The approval of His Majesty's Government shall be required for the person so designated. He will be ordinarily resident at Koweit and will be responsible for the Company's local relations with the Koweit authorities. These local relations shall always be conducted through the Political Agent at Koweit, except as regards routine commercial business, which may be transacted through the official representative (if any) whom the Sheikh may appoint under the agreement between the Company and the Sheikh.

5. SUBJECT to the terms of the concession the Company undertakes at all times to pay due deference to the wishes of the Sheikh and to the advice of the Political Agent and the Political Resident in the Persian Gulf.

CONCESSION.

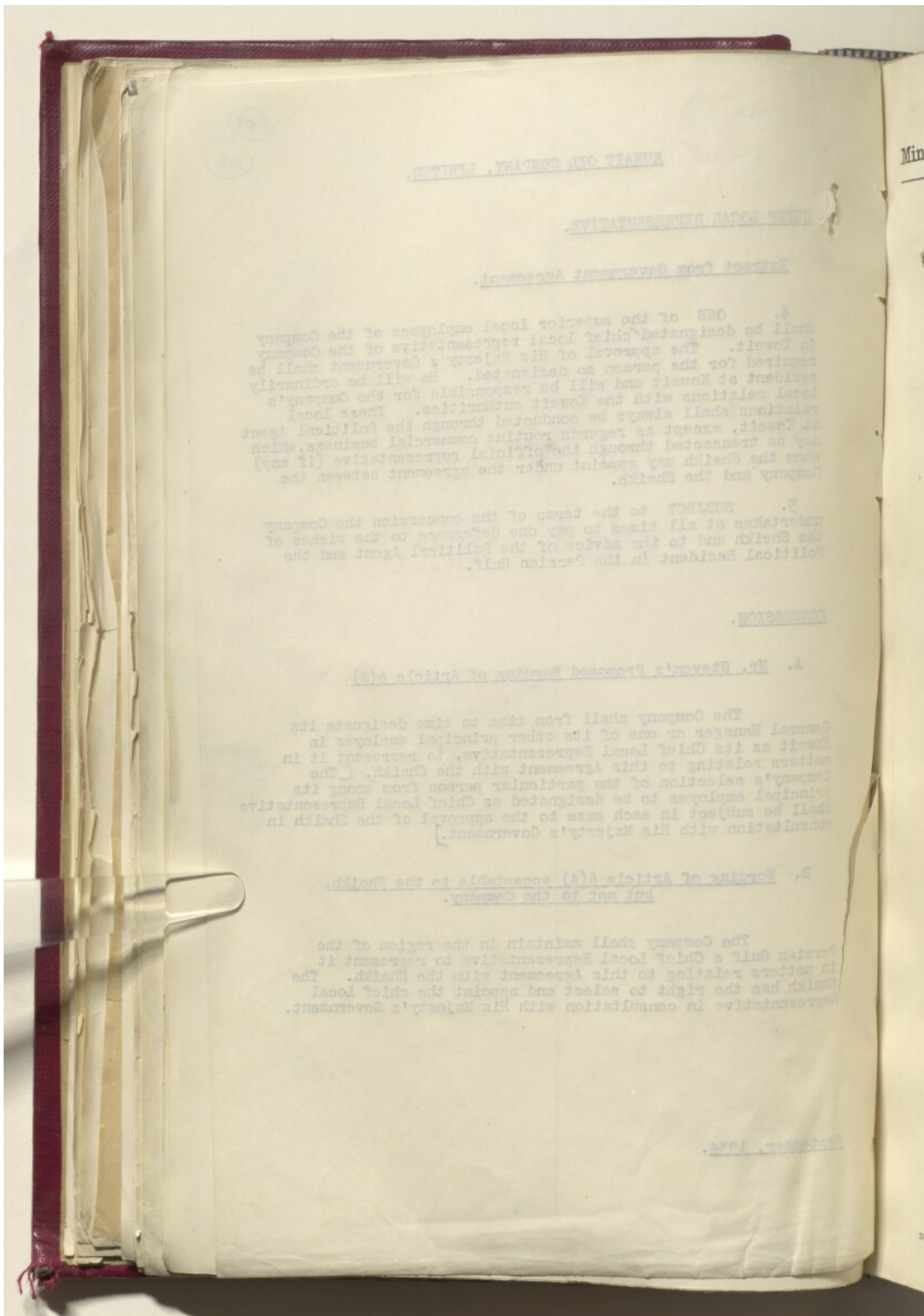
A. Mr. Steven's Proposed Wording of Article 6(A).

The Company shall from time to time designate its General Manager or one of its other principal employees in Kuwait as its Chief Local Representative, to represent it in matters relating to this Agreement with the Shaikh. [The Company's selection of the particular person from among its principal employees to be designated as Chief Local Representative shall be subject in each case to the approval of the Shaikh in consultation with His Majesty's Government.]

B. Wording of Article 6(A) acceptable to the Shaikh, but not to the Company.

The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh. The Shaikh has the right to select and appoint the chief Local Representative in consultation with His Majesty's Government.

September, 1934.





Minute Paper.

P.2. 5189/34

Department.

Under Secretary of State

It will be remembered that the difficulties seen by the Shaikh of Koweit in connection with Articles 11A(d) and 20 of the draft Commercial Agreement were overcome by removing the Articles in question from the Agreement and embodying them in a confidential exchange of letters. The Company agreed at the time formally to accept an arrangement of this nature as binding upon them and further to give effect to a stipulation made by the Shaikh that the correspondence should not be published and that H. ~~M.~~^{H.} should obtain a written assurance from the Company to this effect.

2. The letter now received from the Company meets our requirements and those of the Shaikh fully.

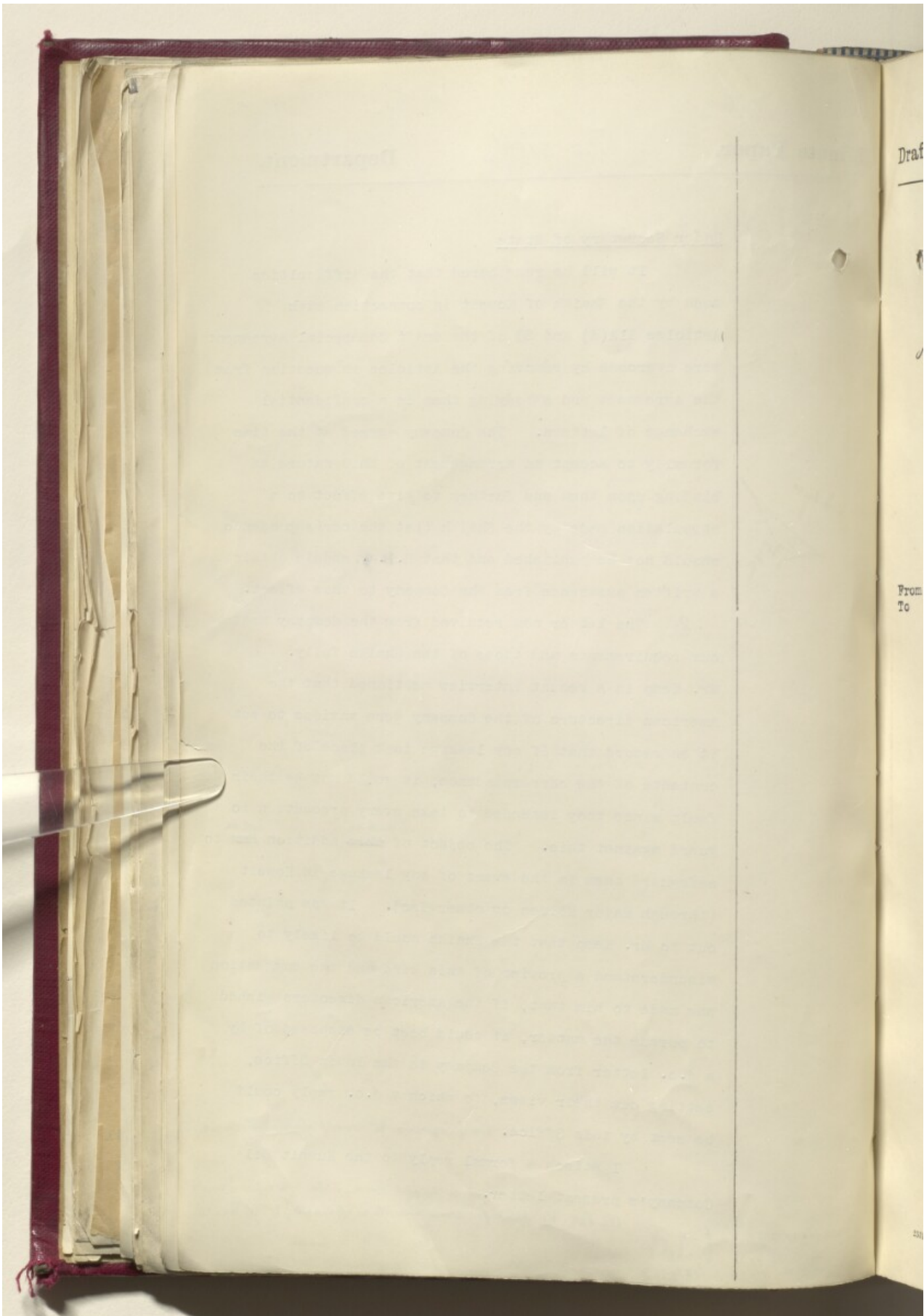
Mr. Kemp in a recent interview mentioned that the American directors of the Company were anxious to put it on record that if any leakage took place of the contents of the correspondence, it would not be their fault since they intended to take every precaution to guard against this. The object of ^{such an} ~~this~~ addition ^{was} ~~was~~ to safeguard them in the event of any leakage in Koweit (through Major Holmes or otherwise). It was pointed out to Mr. Kemp that the Shaikh would be likely to misunderstand a proviso of this kind and the suggestion was made to him that, if the American directors wished to pursue the matter, it could best be disposed of by a d.o. letter from the Company to the India Office, setting out their views, to which a d.o. reply could be sent by this Office. ~~He proposes to consult them further regarding it.~~

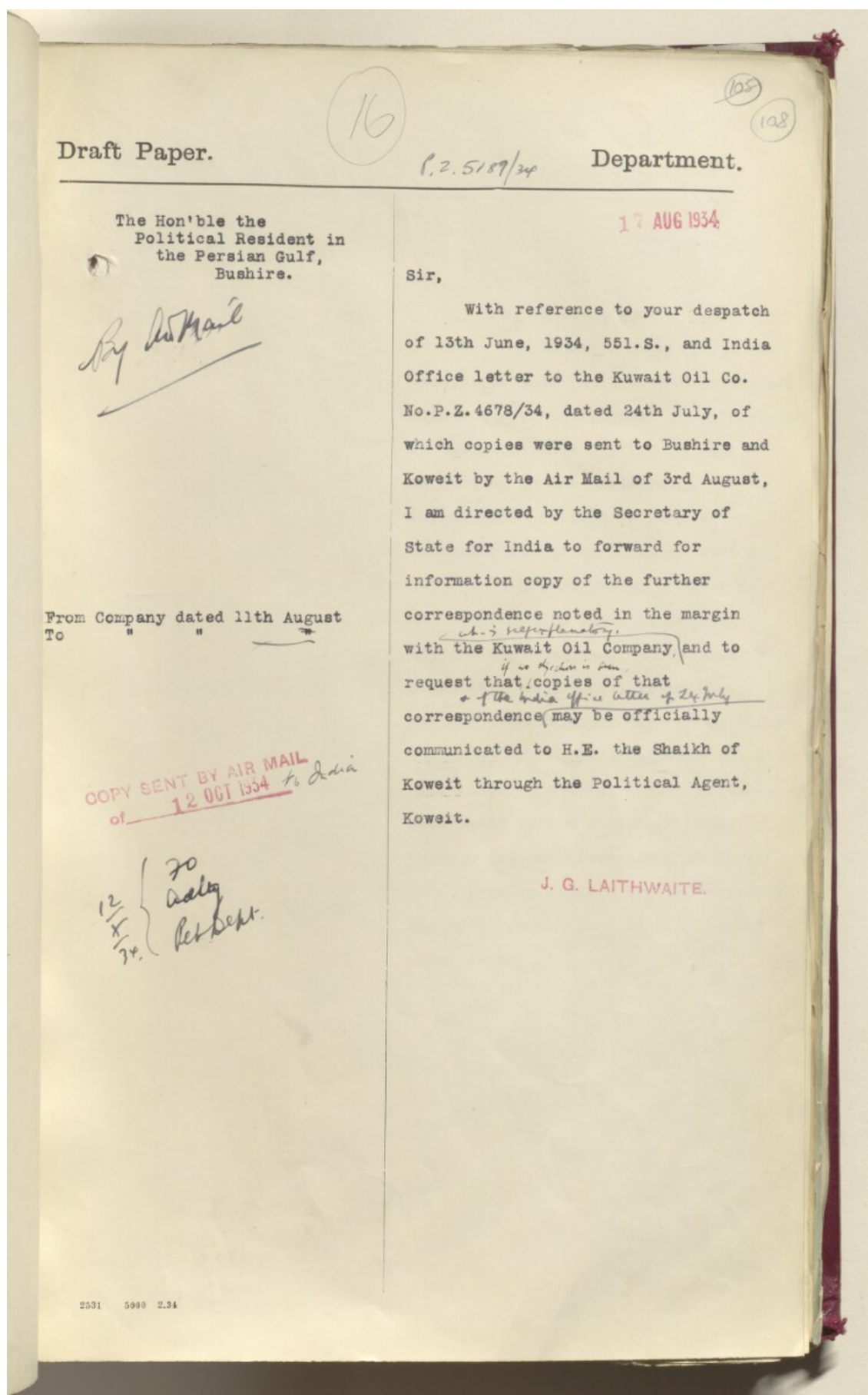
I attach a formal reply to the Kuwait Oil Company's present letter, & a draft reply. The correspondence to the Pol. Resident for communication officially to the Shaikh.

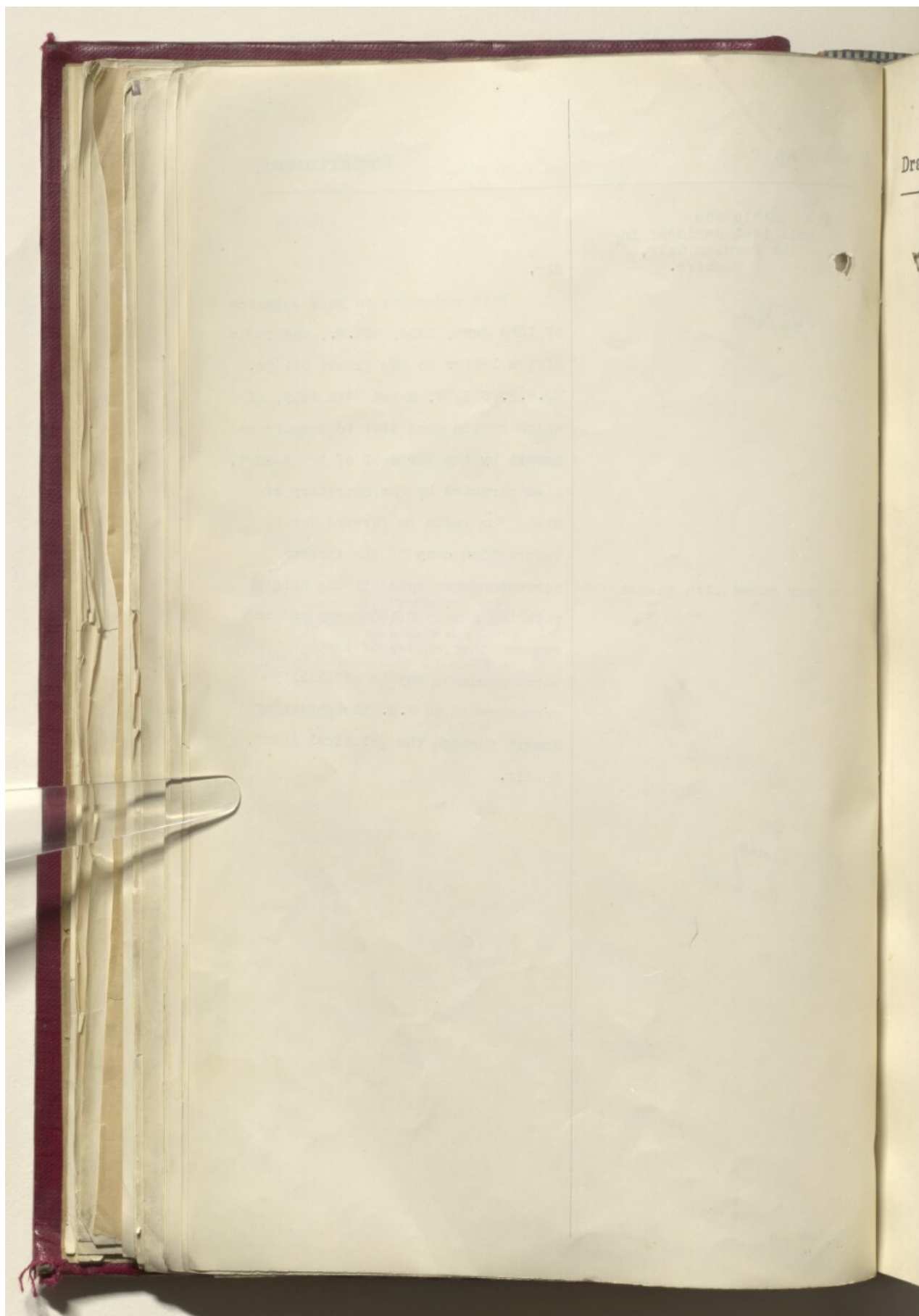
2621 6000 3/34

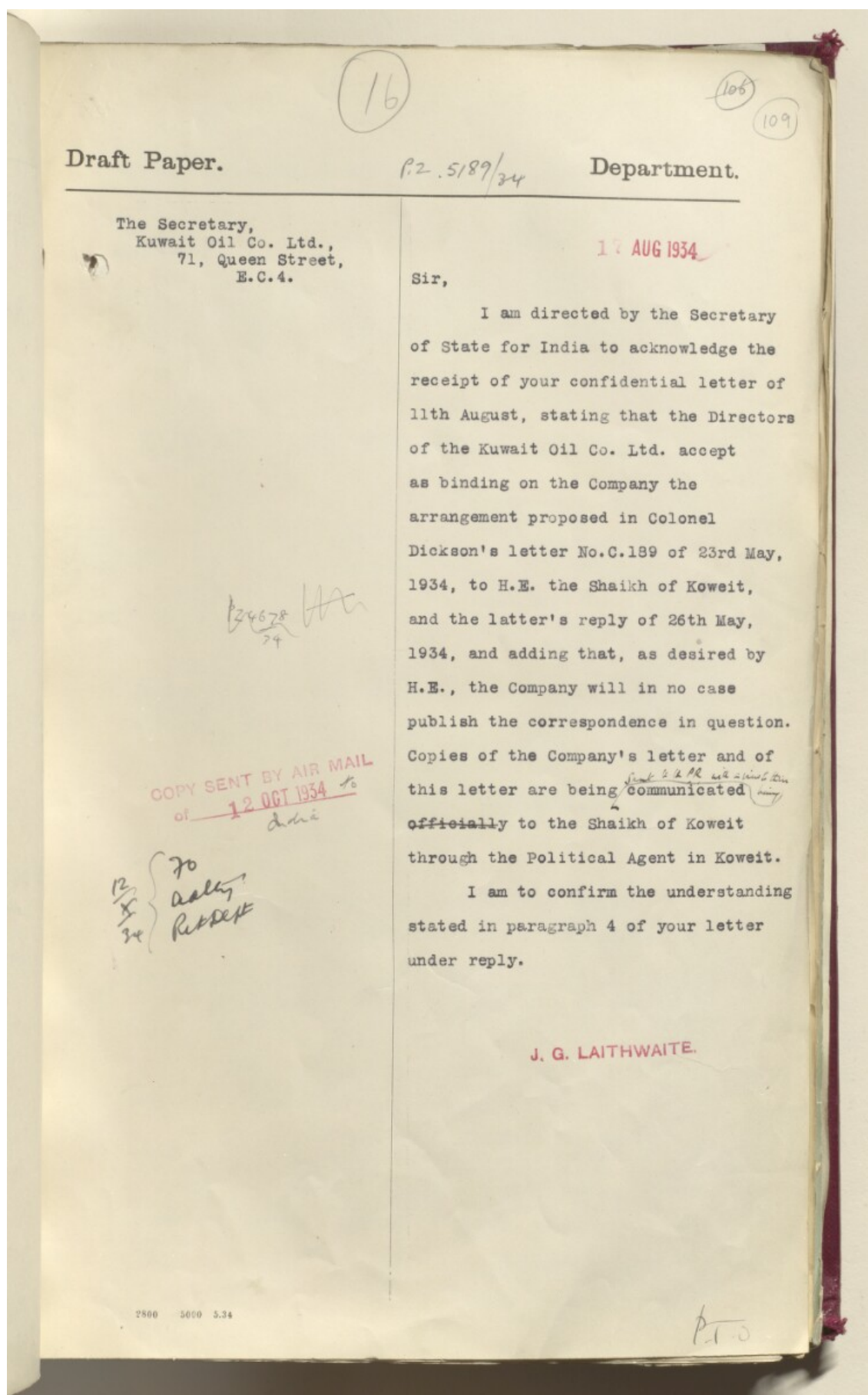
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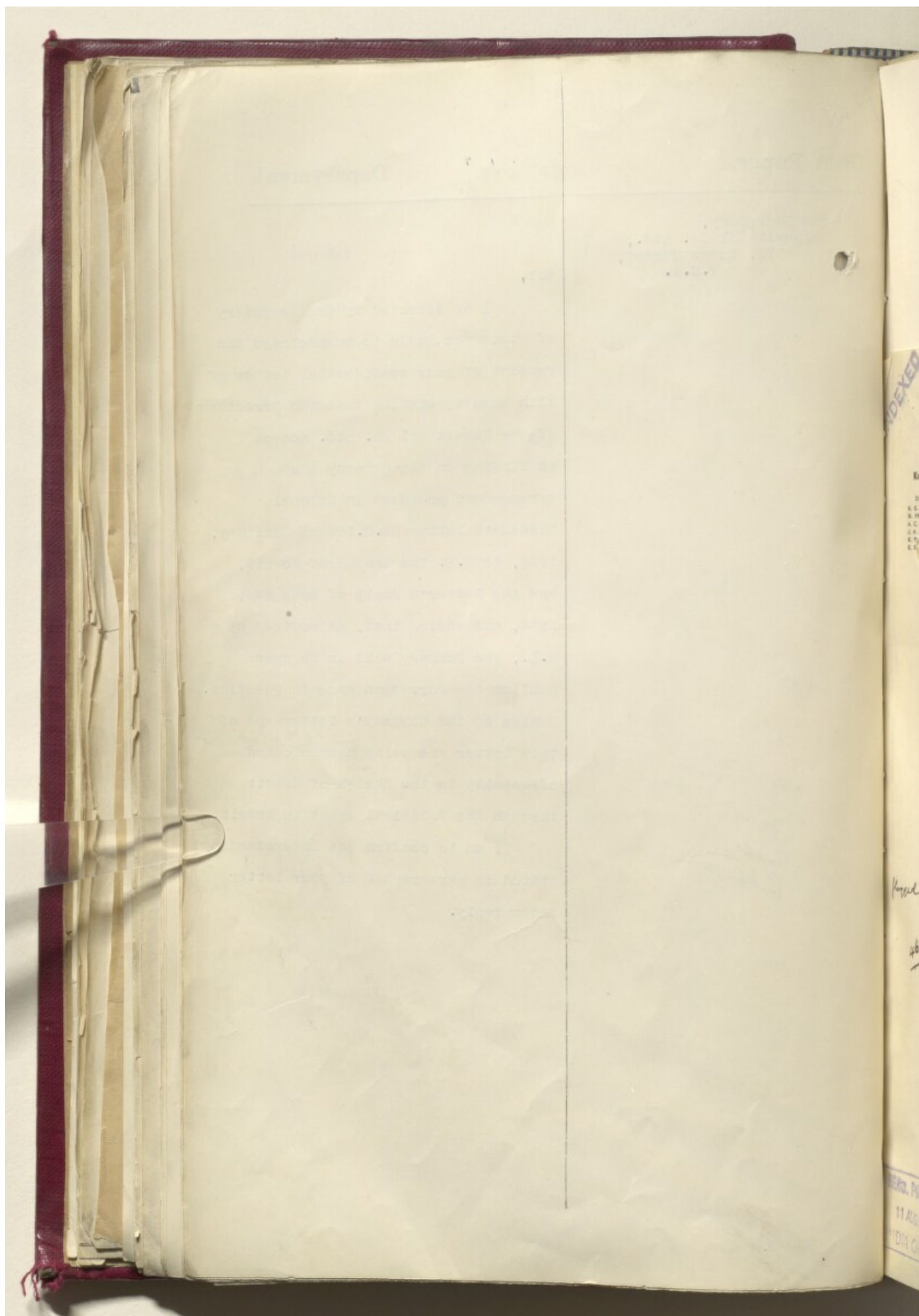
13/8/34

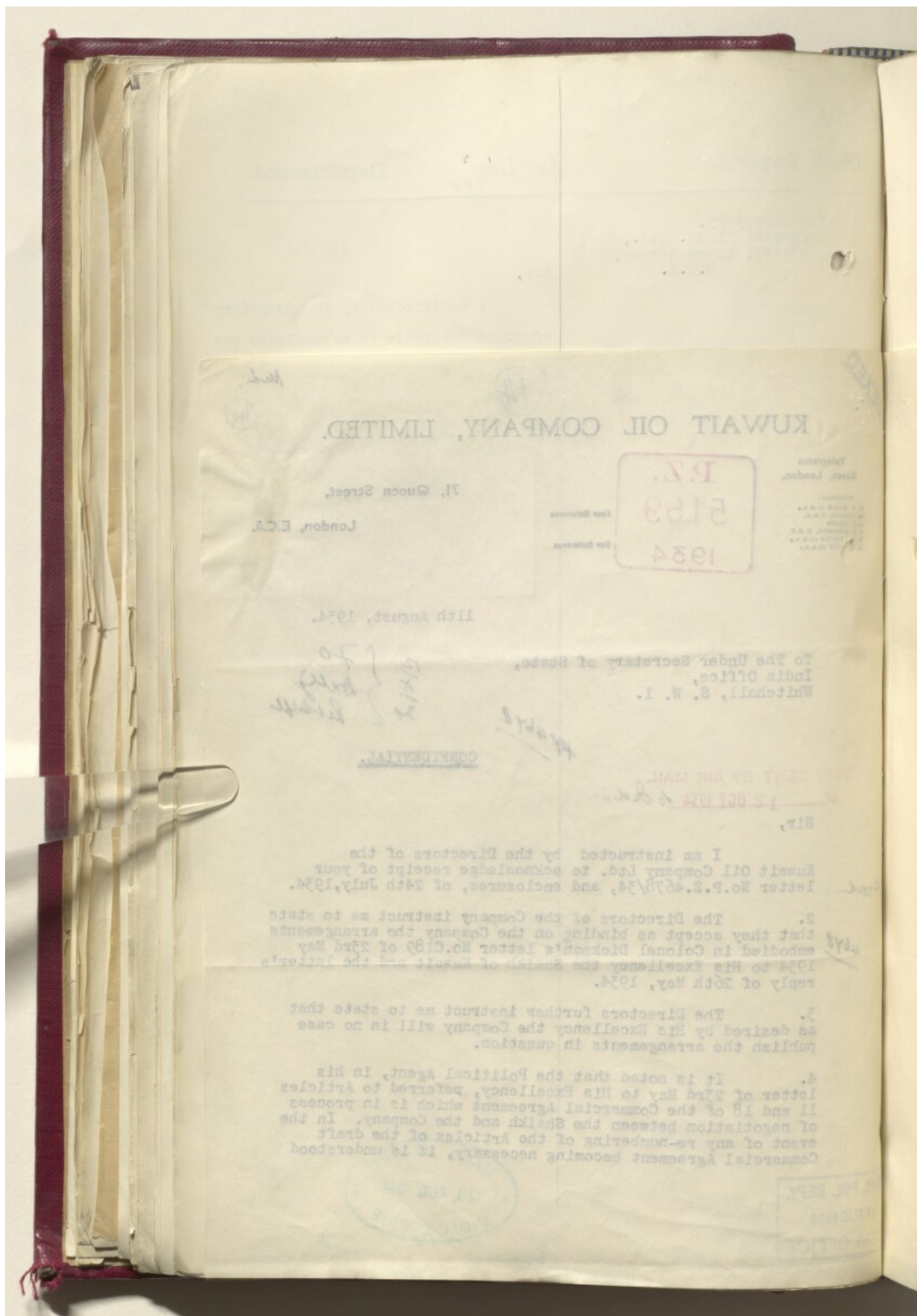


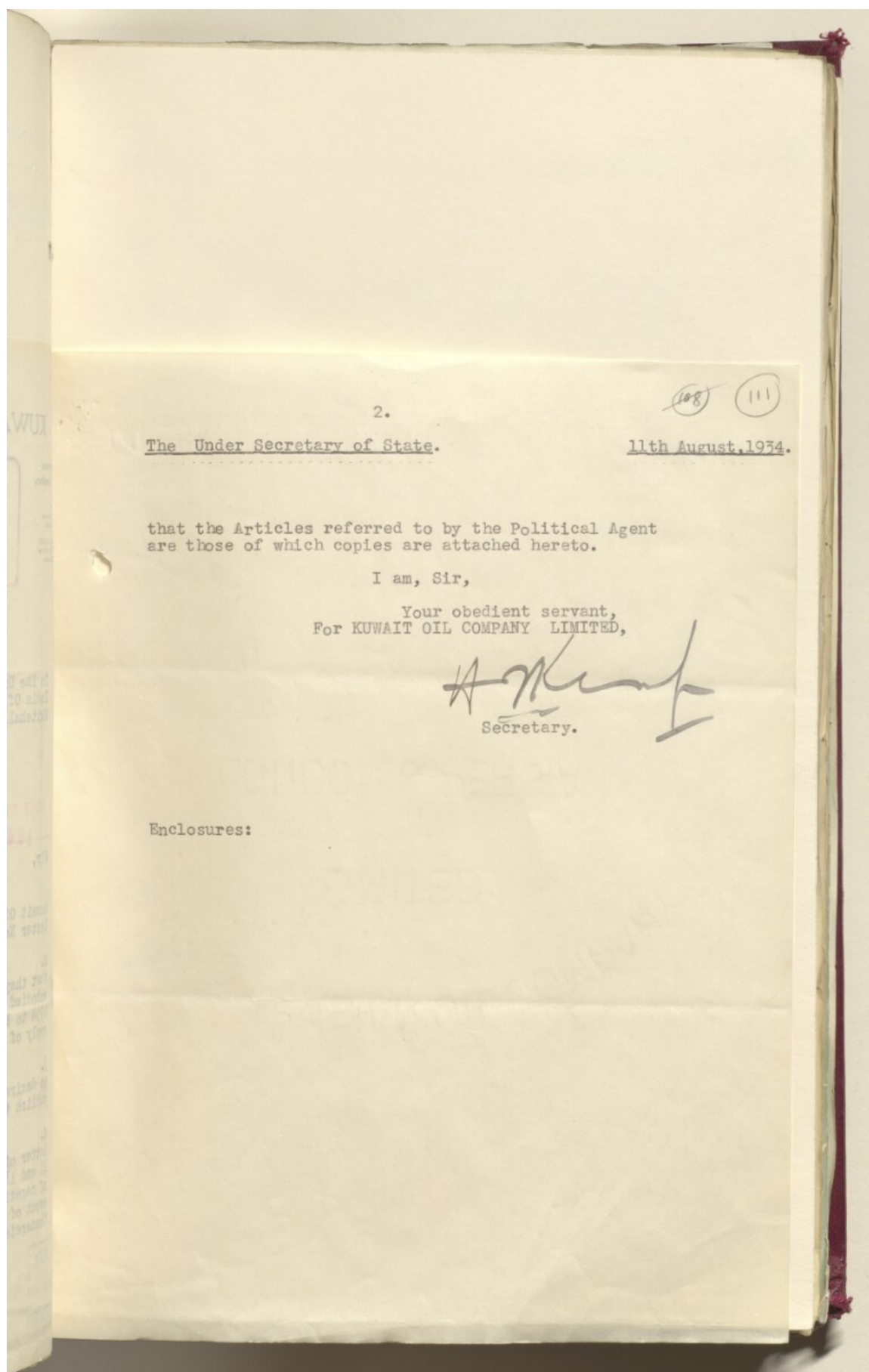


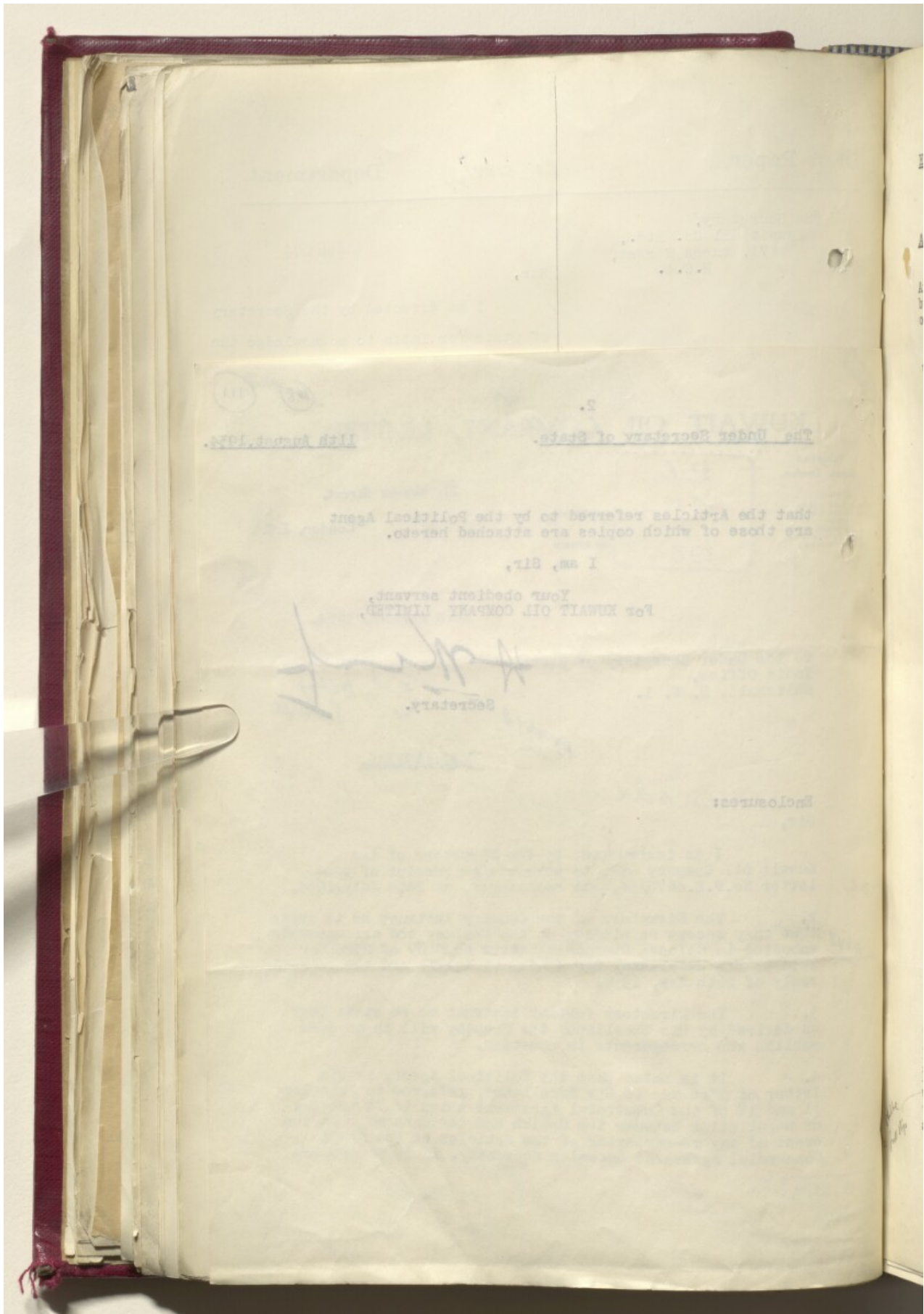


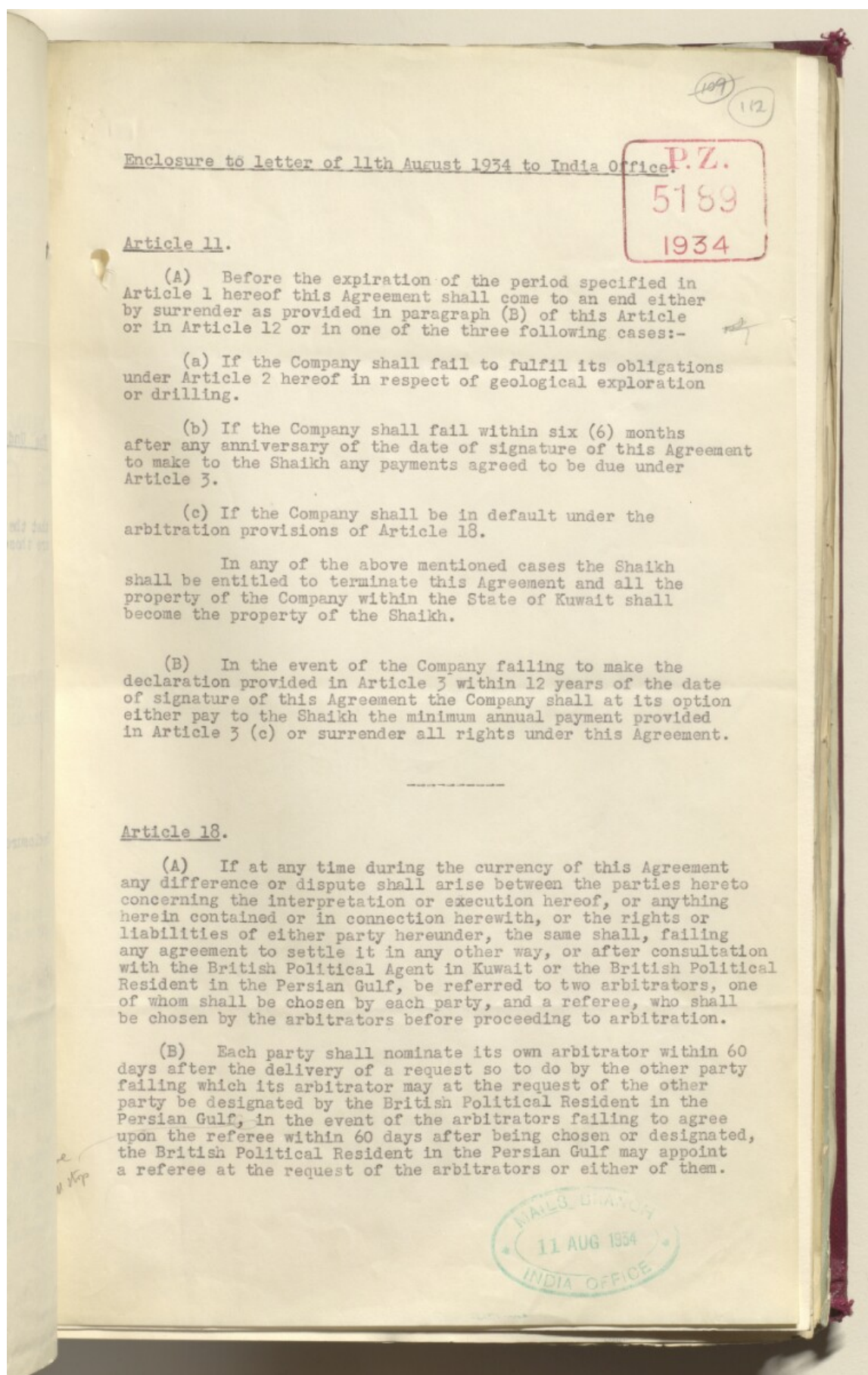


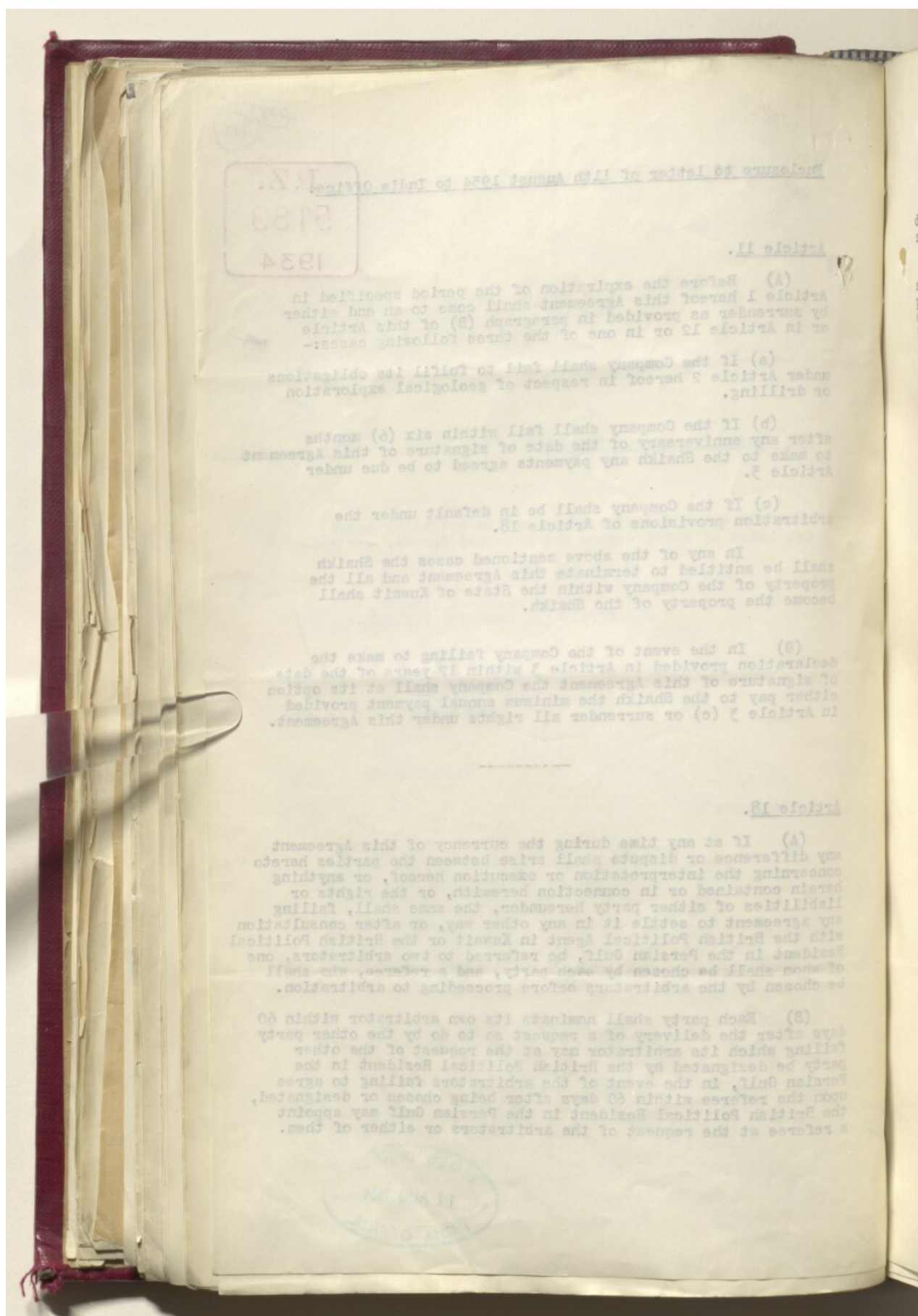












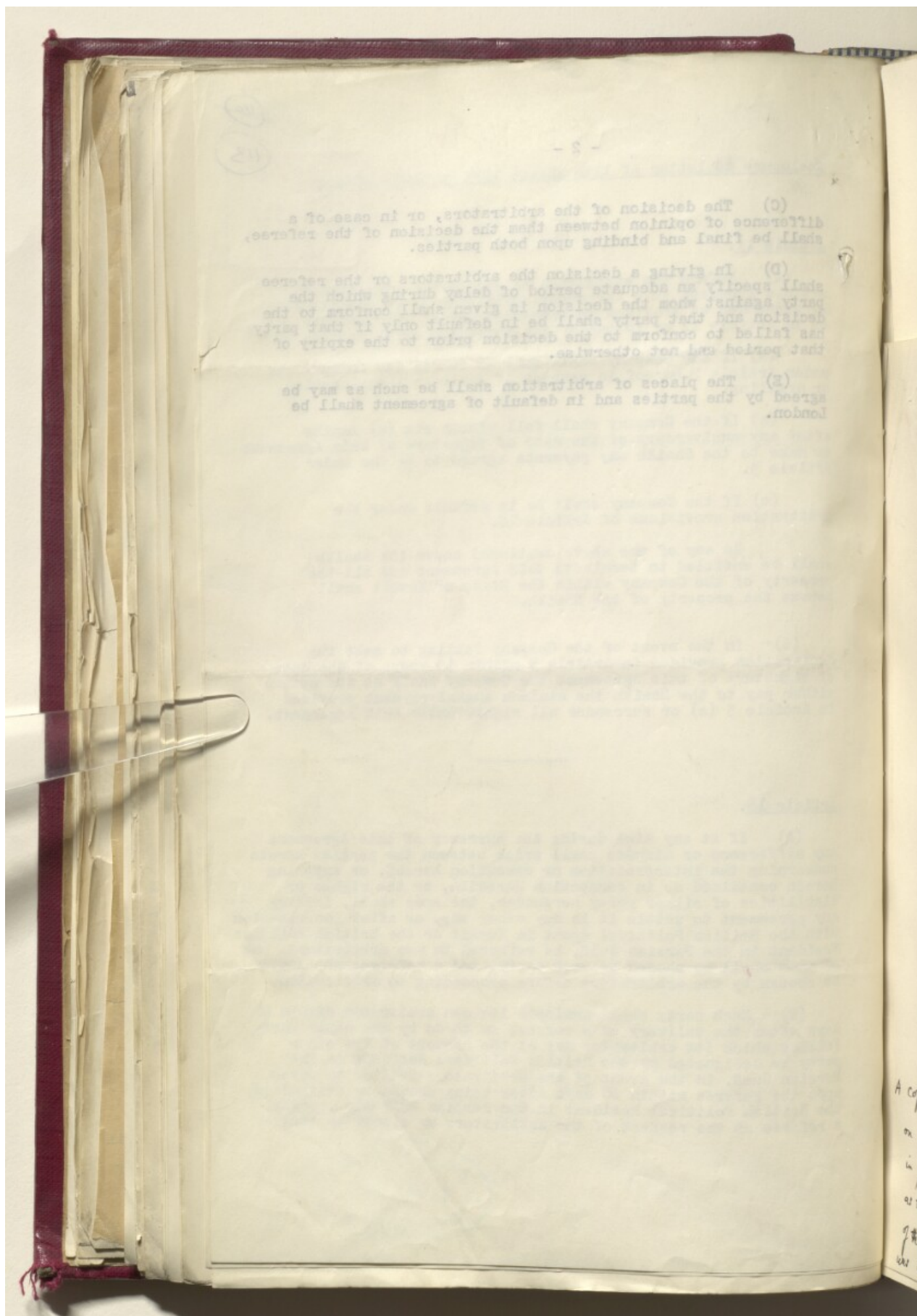


- 2 -

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.

(E) The places of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.





Keep
JEC
8/8
(114)

Copy of letter No.C-111, dated the 28th March 1934 from the Political Agent, Kuwait to His Excellency the Ruler of Kuwait.

AFTER COMPLIMENTS,

Reference my confidential letter No.C-70, dated the 22nd February 1934 to Your Excellency.

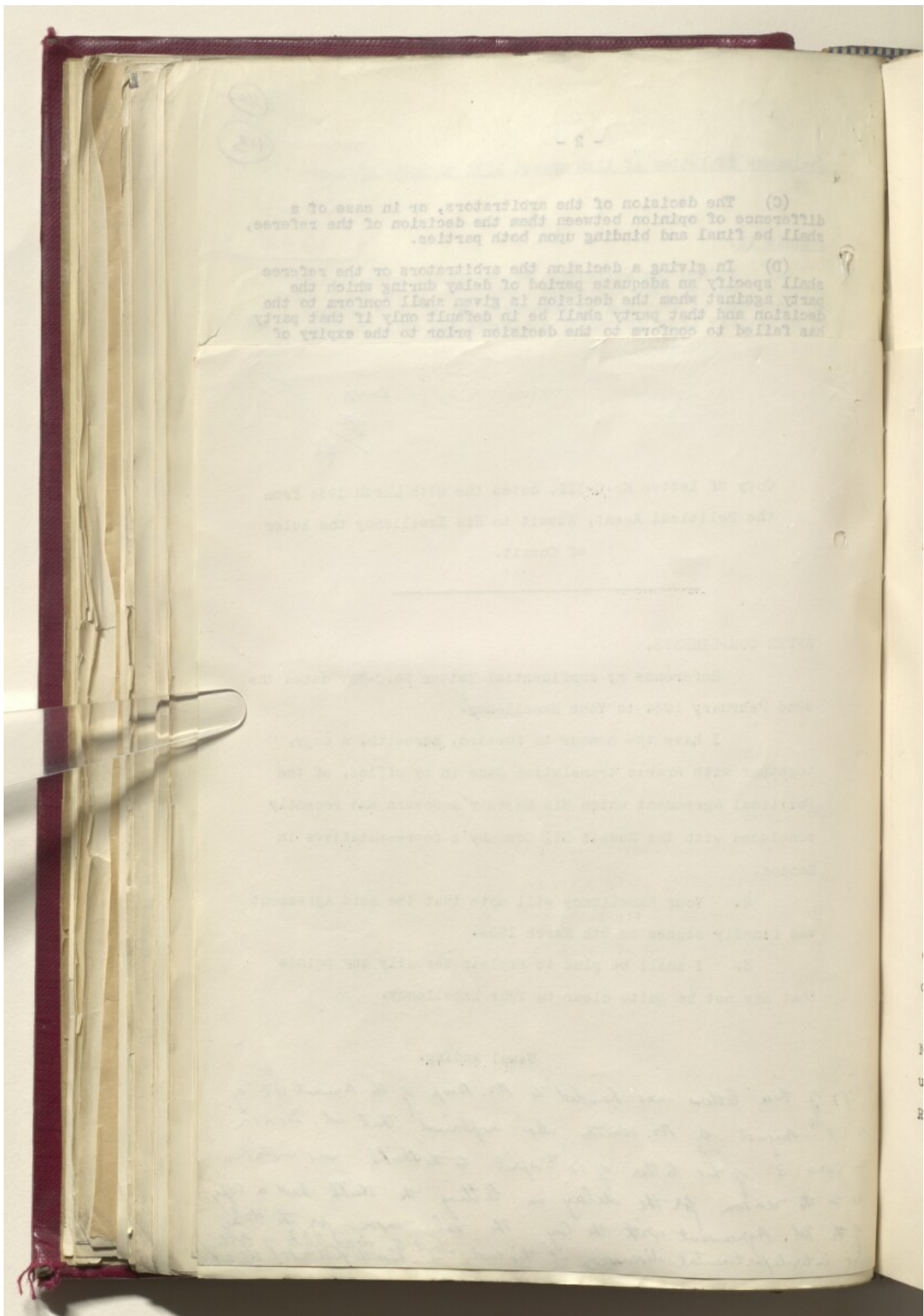
I have the honour to forward, herewith, a copy, together with Arabic translation made in my office, of the Political Agreement which His Majesty's Government recently concluded with the Kuwait Oil Company's representatives in London.

2. Your Excellency will note that the said Agreement was finally signed on 5th March 1934.

3. I shall be glad to explain verbally any points that may not be quite clear to Your Excellency.

Usual Ending.

A copy of these letters was handed to Mr. Kemp of the Kuwait Oil Coy. on 8th August by Mr. Walton, who explained that Col. Dickson in para. 3 of his letter of 12th April to the Sheikh was mistaken as to the reason for the delay in letting the Sheikh have a copy of the Pol. Agreement with the Coy. The real reason for the delay was interdepartmental discussion at this end about the desirability of letting him have the full text. JEC: 8/8/36





Copy of letter No.C-134, dated the 12th April 1934, from
the Political Agent, Kuwait, to His Excellency the Ruler
of Kuwait.

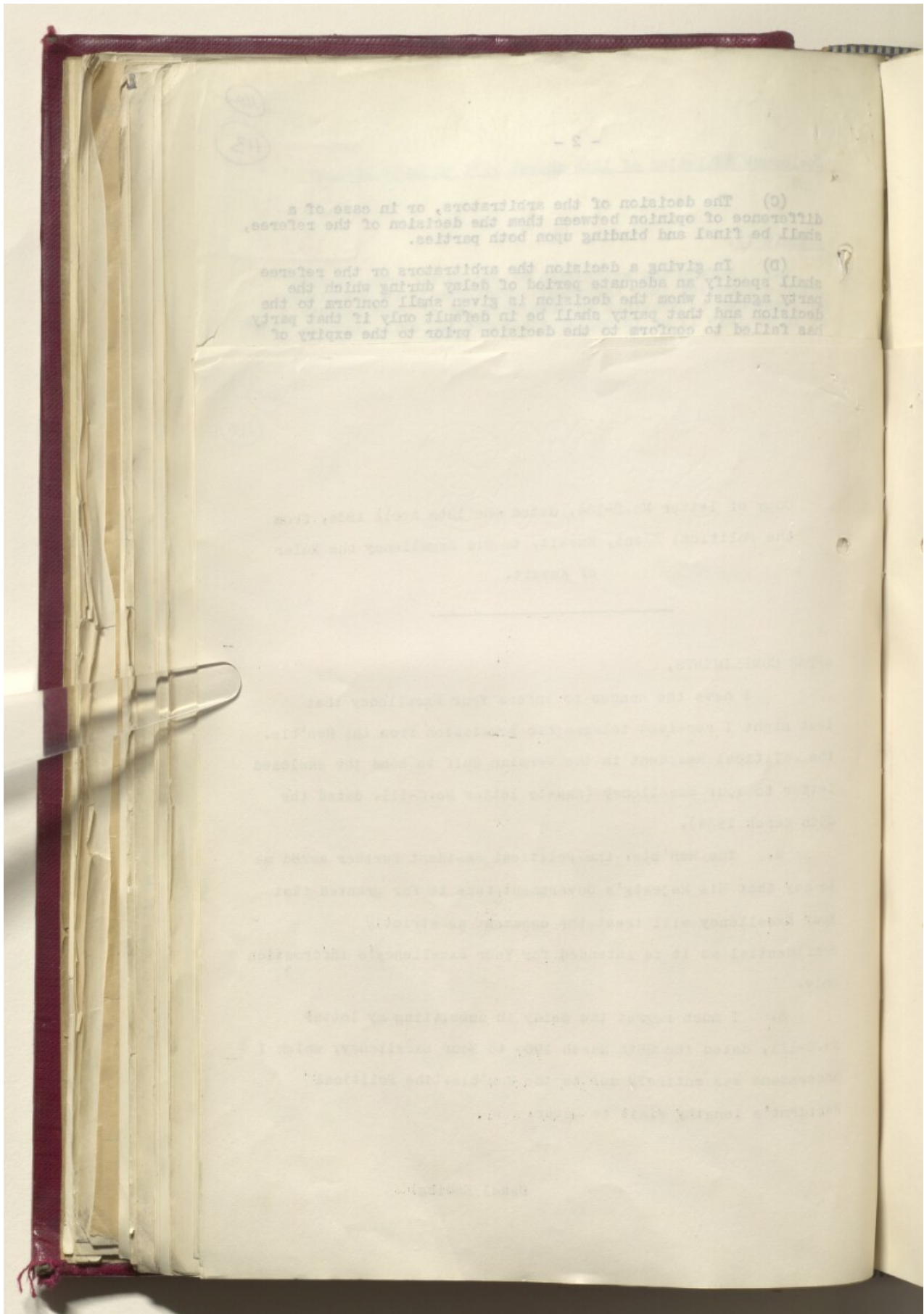
AFTER COMPLIMENTS,

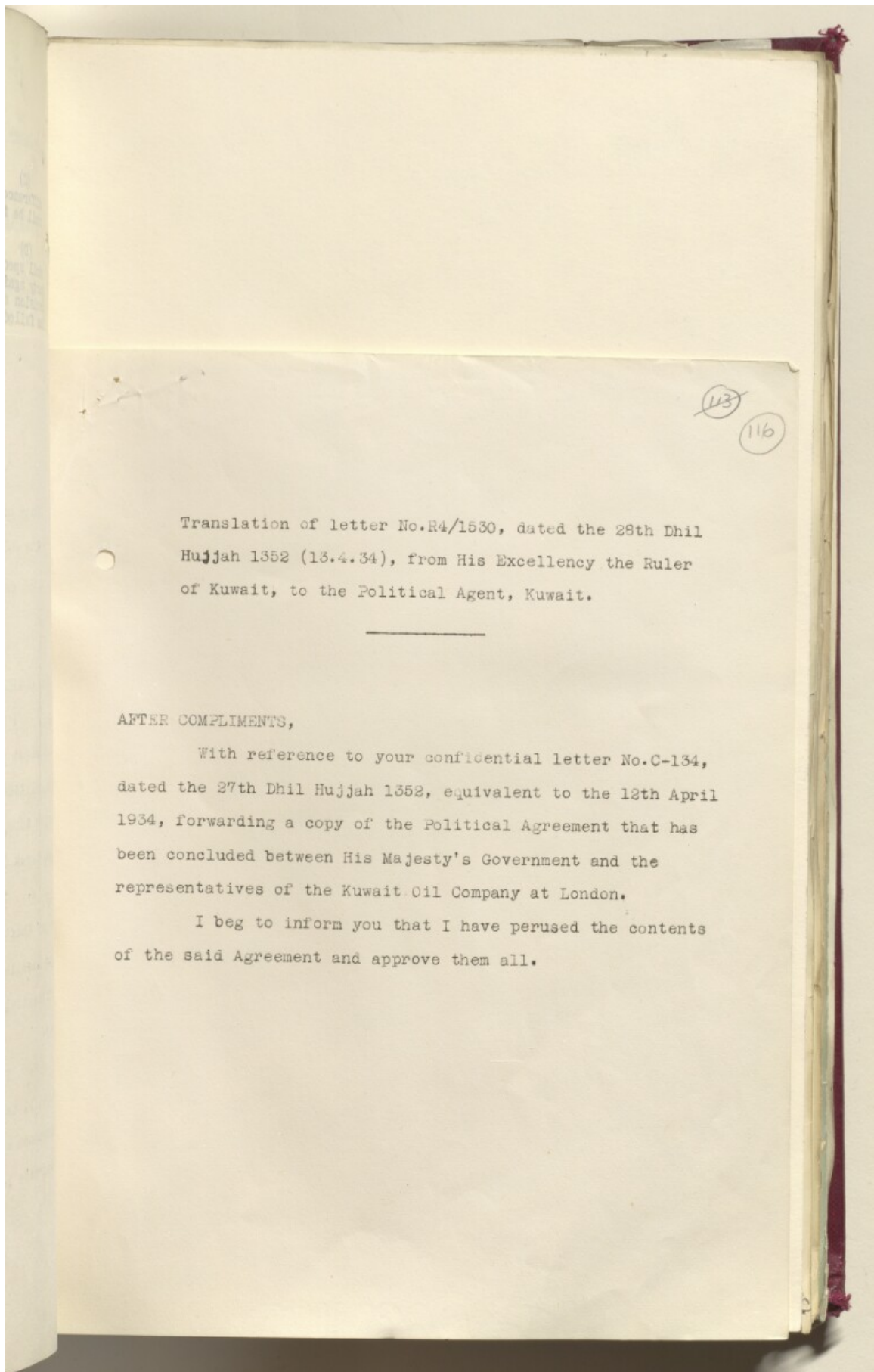
I have the honour to inform Your Excellency that
last night I received telegraphic permission from the Hon'ble.
the Political Resident in the Persian Gulf to hand the enclosed
letter to Your Excellency (namely letter No.C-111, dated the
28th March 1934).

2. The Hon'ble. the Political Resident further asked me
to say that His Majesty's Government take it for granted that
Your Excellency will treat the document as strictly
confidential as it is intended for Your Excellency's information
only.

3. I much regret the delay in submitting my letter
No.C-111, dated the 28th March 1934 to Your Excellency, which I
understand was entirely due to the Hon'ble. the Political
Resident's lengthy visit to Qatar.

Usual Ending.



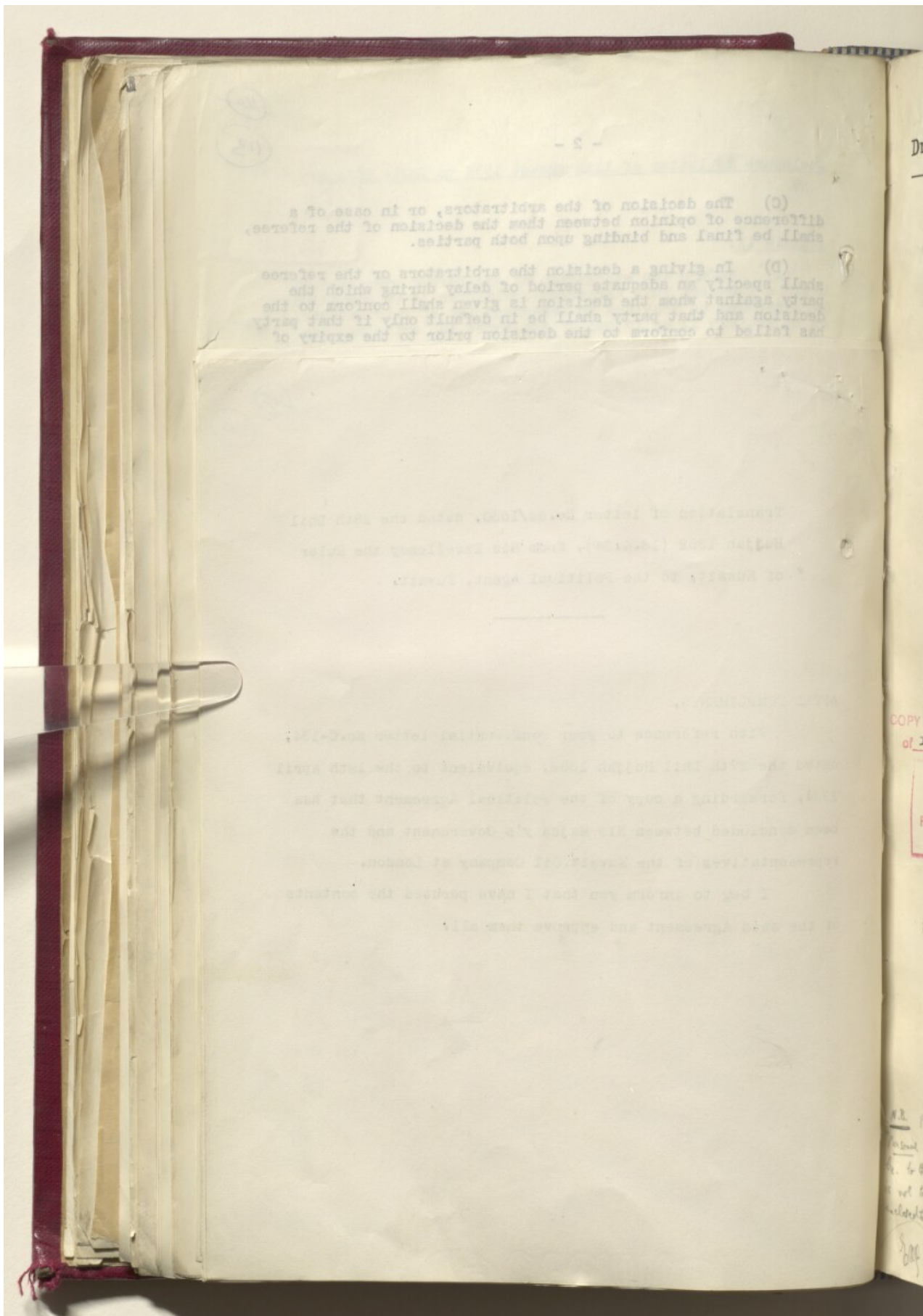


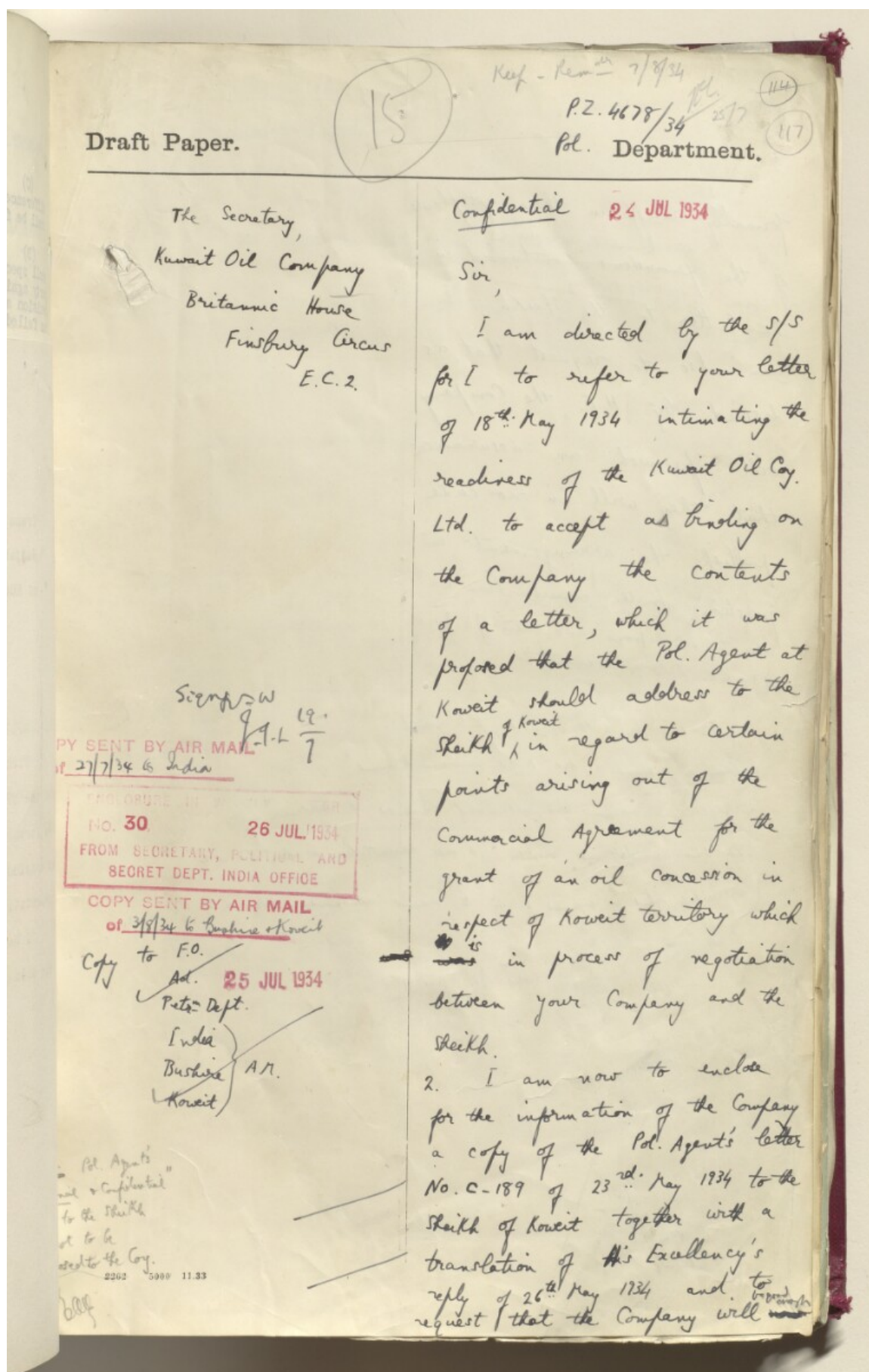
Translation of letter No.R4/1530, dated the 28th Dhil Hujjah 1352 (13.4.34), from His Excellency the Ruler of Kuwait, to the Political Agent, Kuwait.

AFTER COMPLIMENTS,

With reference to your confidential letter No.C-134, dated the 27th Dhil Hujjah 1352, equivalent to the 12th April 1934, forwarding a copy of the Political Agreement that has been concluded between His Majesty's Government and the representatives of the Kuwait Oil Company at London.

I beg to inform you that I have perused the contents of the said Agreement and approve them all.







to
 formally reaffirm their acceptance
 of the ^{arrangements embodied} provisions contained in
 the letter to the Sheikh. I
 am also to request that, as
 desired by H.E., the Company
 will furnish an assurance
 that they will in no case
 publish the arrangements in
 question. In this connection I am to
 refer to Mr. deboys d.o. letter of 6 June
 1934 to Mr. Satterthwaite.

The letter for & PA of 23 May to the Sheikh
 contains a reference to Art 18 of the Commercial Agreement. If
 in the Commercial Agreement as ultimately concluded & arbitration article
 had been a different number, it will nevertheless be clear that it is
 that article which is referred to in the present correspondence between the PA & the Sheikh.

(Sd.) J. G. WALTON.



INDEXED
CONFIDENTIAL.
No. 551-S of 1934

118 115 25 JUL 1934 70
P.Z.
4678
1934

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, Simla.

and has the honour to transmit to him a copy of the undermentioned document (s).

British Consulate-General,
BUSHIRE.

Dated...13th June 1934.....

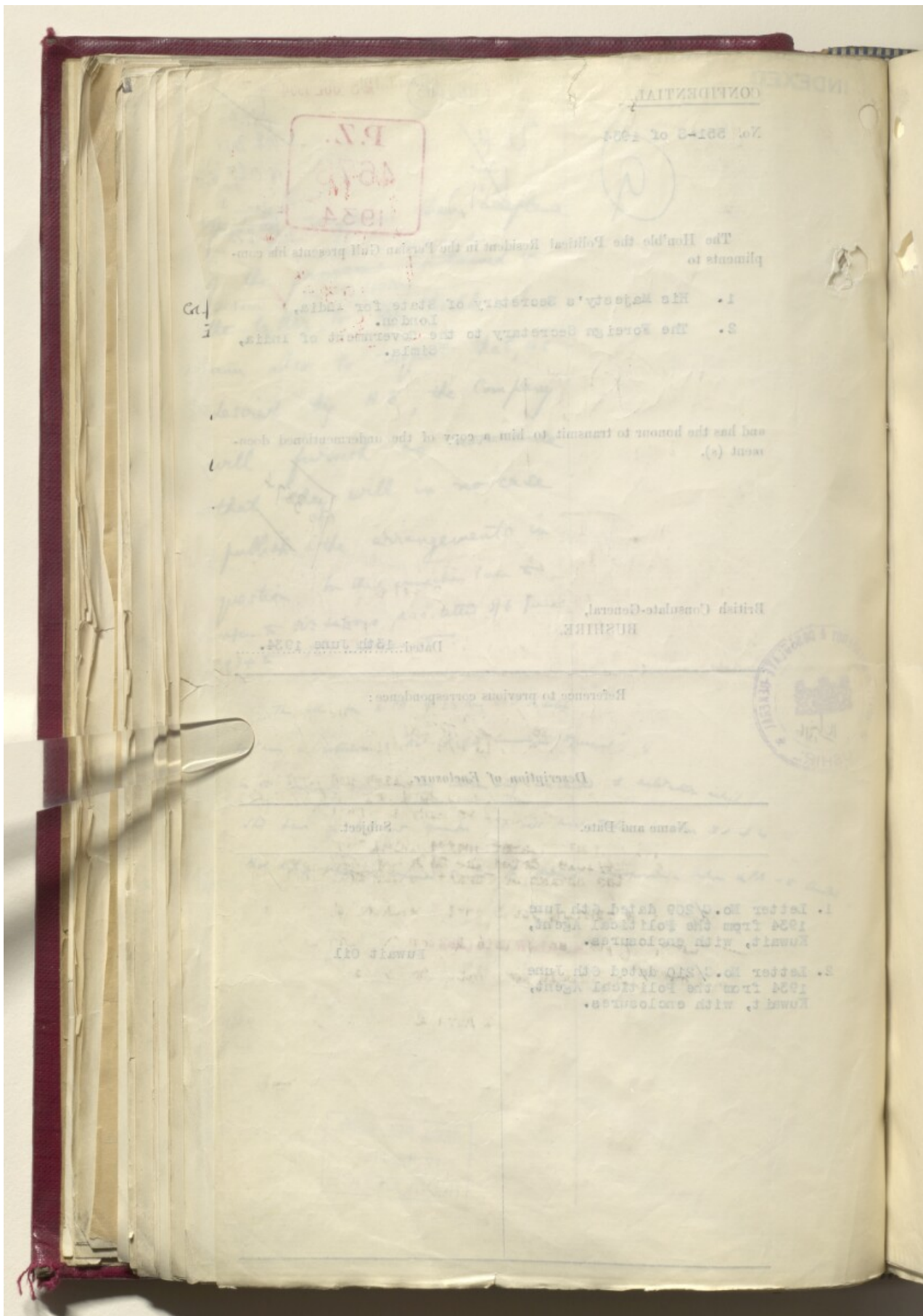
Reference to previous correspondence :

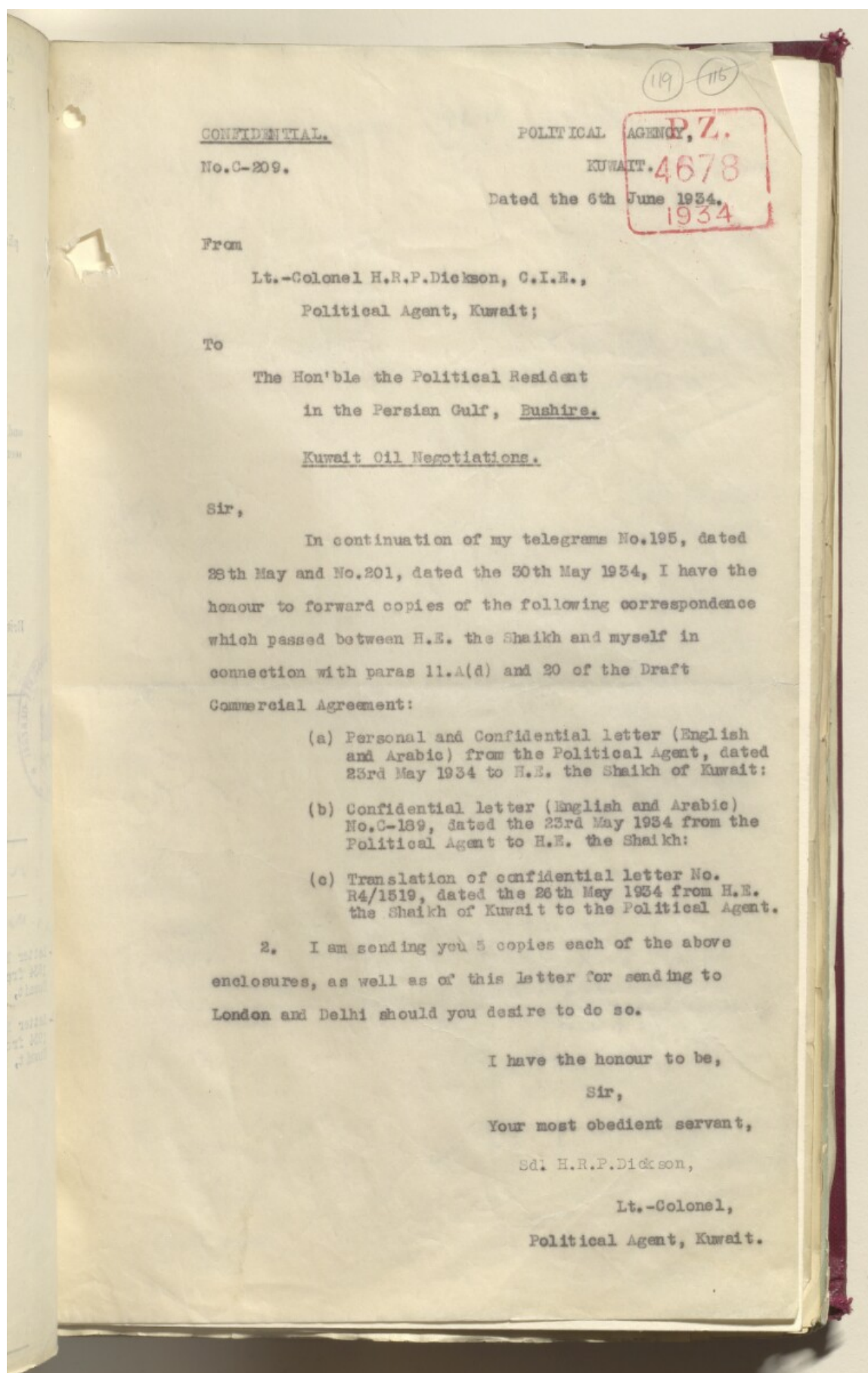
Description of Enclosure.

Name and Date.	Subject.
1. Letter No.C/209 dated 6th June 1934 from the Political Agent, Kuwait, with enclosures.	Kuwait Oil
2. Letter No.C/210 dated 6th June 1934 from the Political Agent, Kuwait, with enclosures.	

BRITISH CONSULATE-GENERAL
BUSHIRE
16/6/34
USHIR

RECD. POL. DEPT.
17 JUL 1934
INDIA OFFICE





CONFIDENTIAL.

No.C-209.

POLITICAL AGENCY, P.Z.

KUWAIT. 4678

Dated the 6th June 1934.

1934

From

Lt.-Colonel H.R.P. Dickson, C.I.E.,

Political Agent, Kuwait;

To

The Hon'ble the Political Resident

in the Persian Gulf, Bushire.

Kuwait Oil Negotiations.

Sir,

In continuation of my telegrams No.195, dated 28th May and No.201, dated the 30th May 1934, I have the honour to forward copies of the following correspondence which passed between H.E. the Shaikh and myself in connection with paras 11.A(d) and 20 of the Draft Commercial Agreement:

- (a) Personal and Confidential letter (English and Arabic) from the Political Agent, dated 23rd May 1934 to H.E. the Shaikh of Kuwait;
- (b) Confidential letter (English and Arabic) No.C-189, dated the 23rd May 1934 from the Political Agent to H.E. the Shaikh;
- (c) Translation of confidential letter No. R4/1519, dated the 26th May 1934 from H.E. the Shaikh of Kuwait to the Political Agent.

2. I am sending you 5 copies each of the above enclosures, as well as of this letter for sending to London and Delhi should you desire to do so.

I have the honour to be,

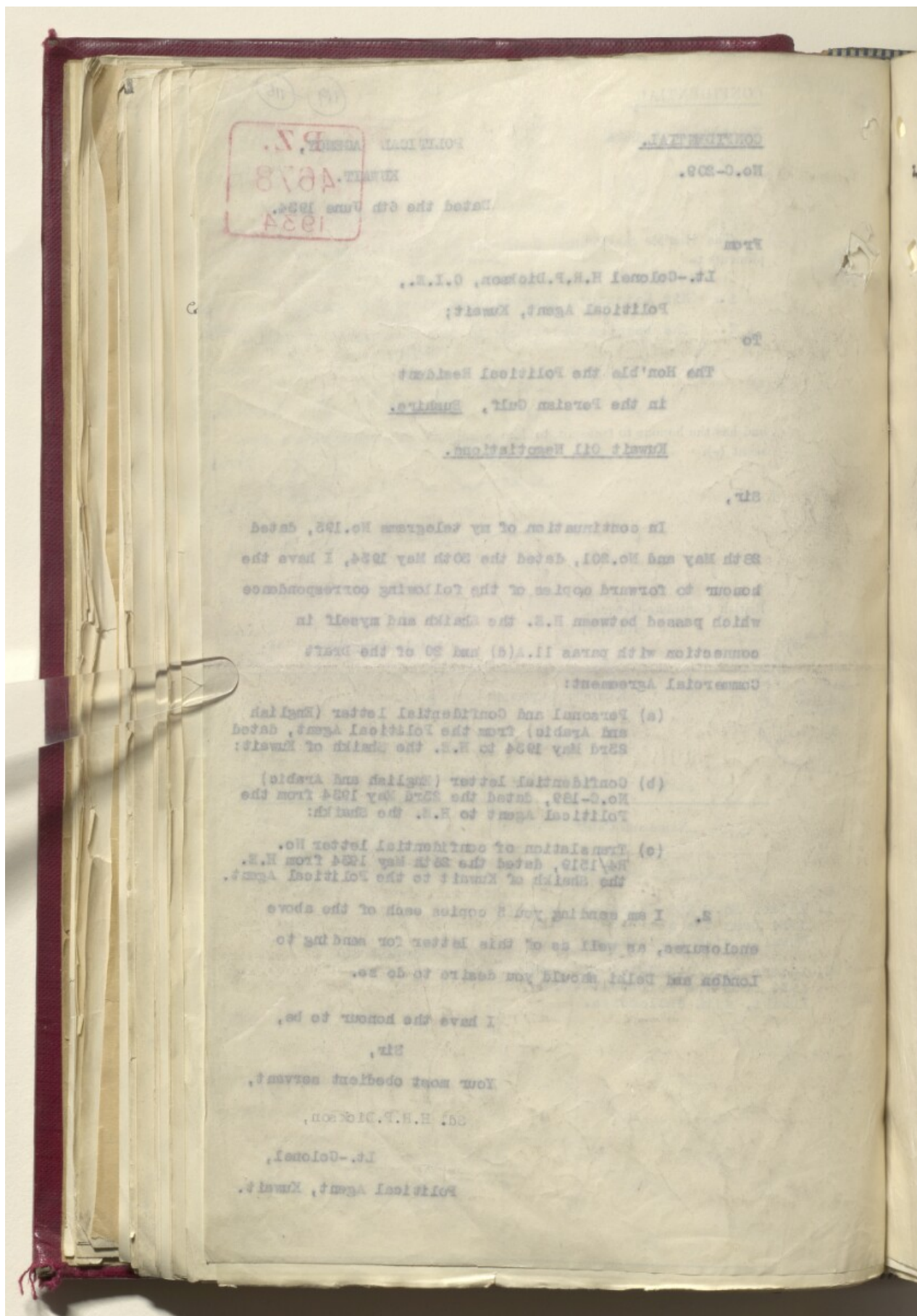
Sir,

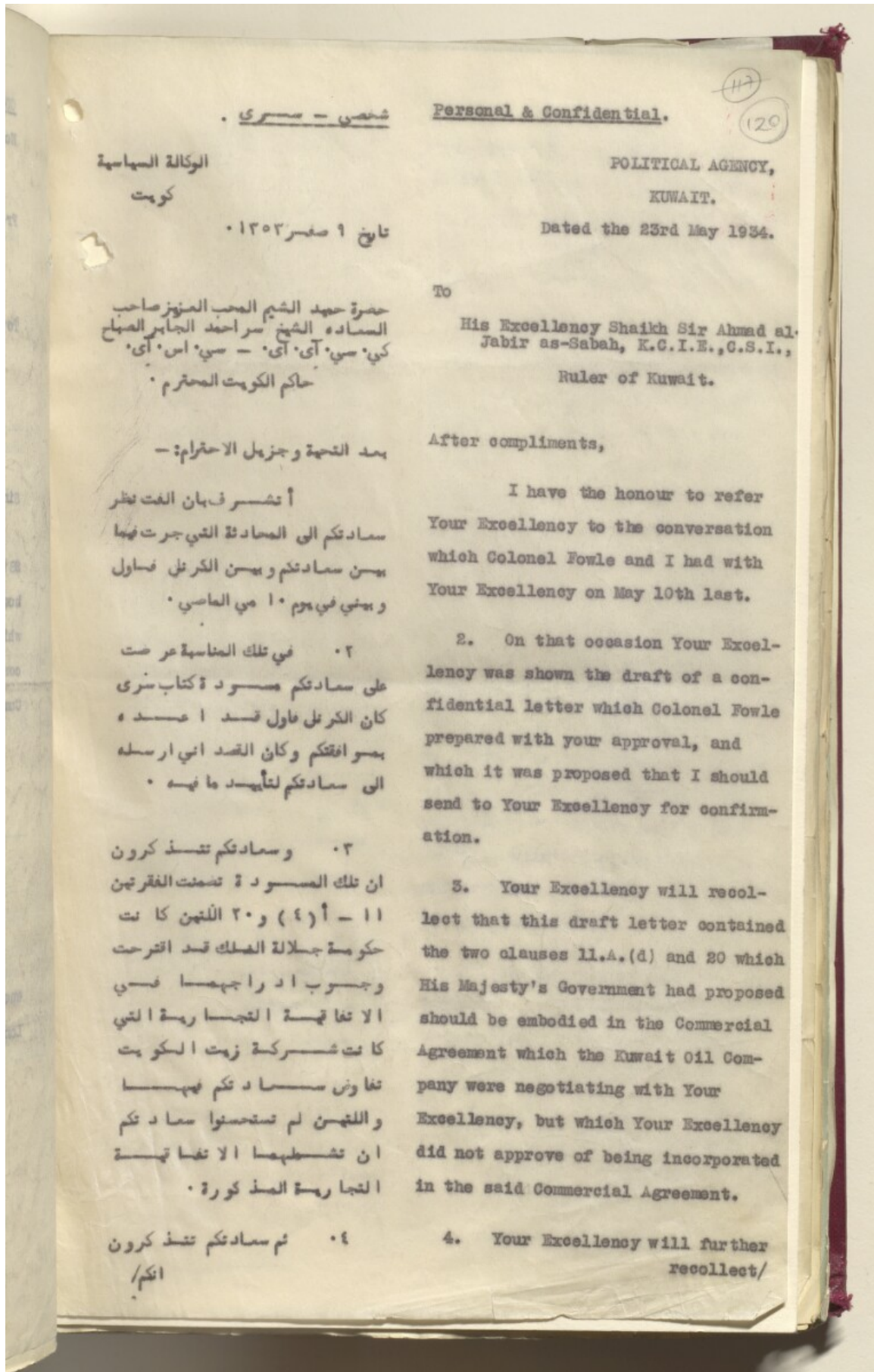
Your most obedient servant,

Sd. H.R.P. Dickson,

Lt.-Colonel,

Political Agent, Kuwait.





Personal & Confidential.

POLITICAL AGENCY,
KUWAIT.

Dated the 23rd May 1934.

To

His Excellency Shaikh Sir Ahmad al-
Jabir as-Sabah, K.C.I.E., C.S.I.,
Ruler of Kuwait.

After compliments,

I have the honour to refer
Your Excellency to the conversation
which Colonel Fowle and I had with
Your Excellency on May 10th last.

2. On that occasion Your Excel-
lency was shown the draft of a con-
fidential letter which Colonel Fowle
prepared with your approval, and
which it was proposed that I should
send to Your Excellency for confirm-
ation.

3. Your Excellency will recol-
lect that this draft letter contained
the two clauses 11.A.(d) and 20 which
His Majesty's Government had proposed
should be embodied in the Commercial
Agreement which the Kuwait Oil Com-
pany were negotiating with Your
Excellency, but which Your Excellency
did not approve of being incorporated
in the said Commercial Agreement.

4. Your Excellency will further
recollect/

شخصي - سري .

الوكالة السياسية
كويت

تاريخ ١٣٥٣

حضرة حميد الشيم المحب المنور صاحب
السماء الشيخ سراج الجابر الصباح
كي. سي. آي. - سي. اس. آي.
حاكم الكويت المحترم .

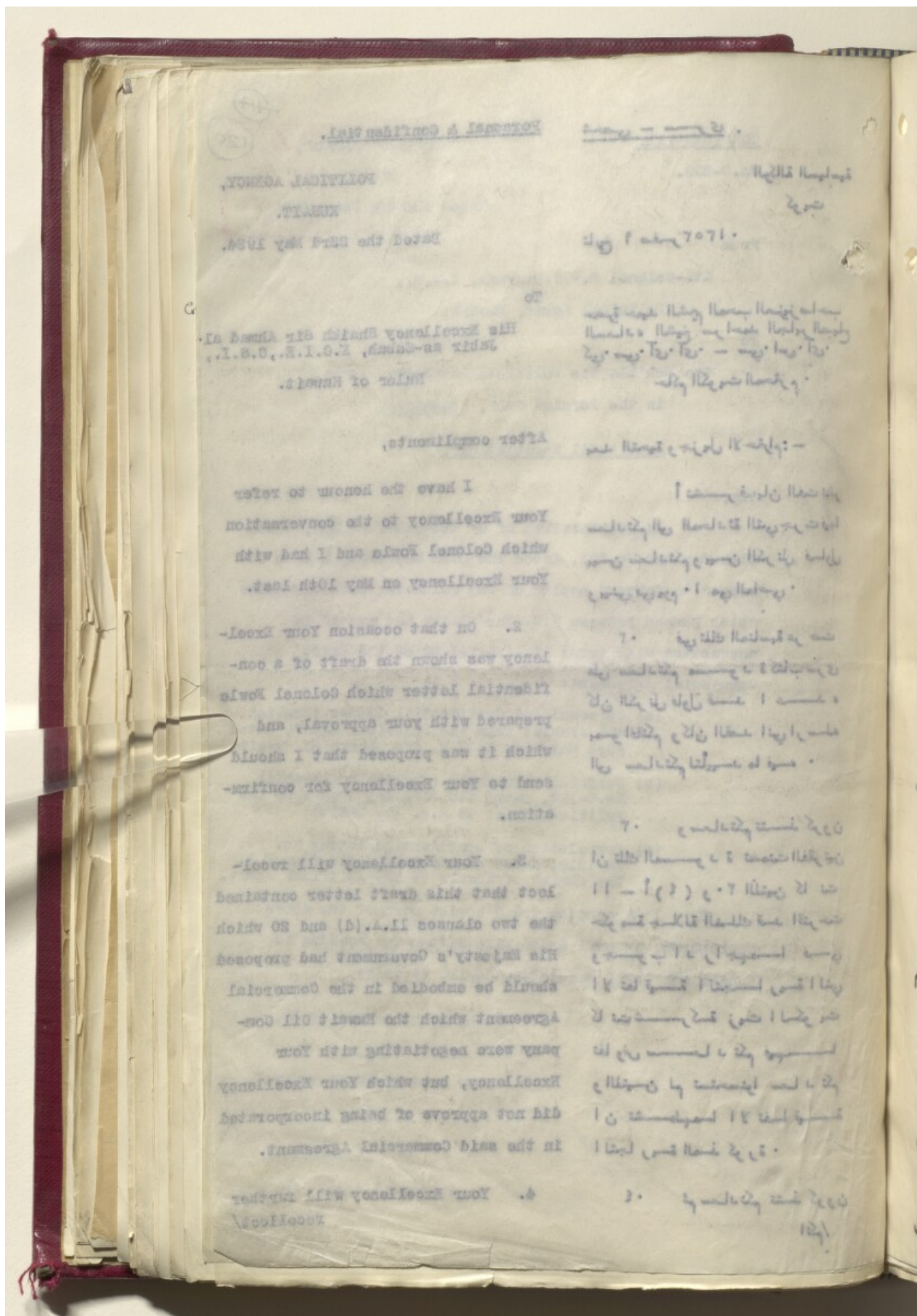
بعد التحية وجزيل الاحترام:-

أتشرف بان الفت نظر
سمادتك الى المعاداة التي جرت فيها
بين سمادتك وبين الكرنل فاول
وبني في يوم ١٠ من العاصي .

٢ . في تلك المناسبة عرضت
على سمادتك مسودة كتاب سري
كان الكرنل فاول قد اعده
بموافقتكم وكان القصد اني ارسله
الى سمادتك لتأيد ما فيه .

٣ . وسمادتك تشذكرون
ان تلك المسودة تضمنت الفقرتين
١١ - أ (٤) و ٢٠ اللتين كانت
حكومة جلالة الملك قد اقترحت
وجوب ادراجهما في
الاتفاقية التجارية التي
كانت شركة زيت الكويت
تفاوض سمادتك عليها
واللتين لم تستحسنوا سمادتك
ان تشطبهما بالاتفاقية
التجارية المذكورة .

٤ . ثم سمادتك تشذكرون
انكم/





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12.1

انكم وافقتم على مضمون مسودة
الكرنل فاوول ولم يبق الا حصول
الكرنل فاوول على
موافقة حكومة جلالة
الملك لا رسلها اليكم .

recollect that you agreed to the
contents of Colonel Fowle's draft,
and all that remained was for Colonel
Fowle to obtain the approval of His
Majesty's Government to its being
issued to you.

•• والآن اني مع مزهد
المسرور اخبر ساداتكم ان
حكومة جلالة الملك قد
ابلغت رسما انها توافق على
ان يرسل الكتاب الي ساداتكم
كما اقترحه الكرنل فاوول ولكن نظرا
لا اعتبار المسودة التي وصفا
المذكور غير واضحة كل الوضوح
في بعض اقسامها ونظرا لسكون
حقوق ساداتكم لم تصان اليها
التي كان في الامكان اتخاذها وصت
حكومة جلالة الملك بنفسها في
لندن كتابا من جديد يتضمن لجميع
المسائل التي ذكرها الكرنل
فاوول مع زيادة في المعنى والاستقلال
والوضوح وارسلته لكي
اقتد منه انا الي ساداتكم .

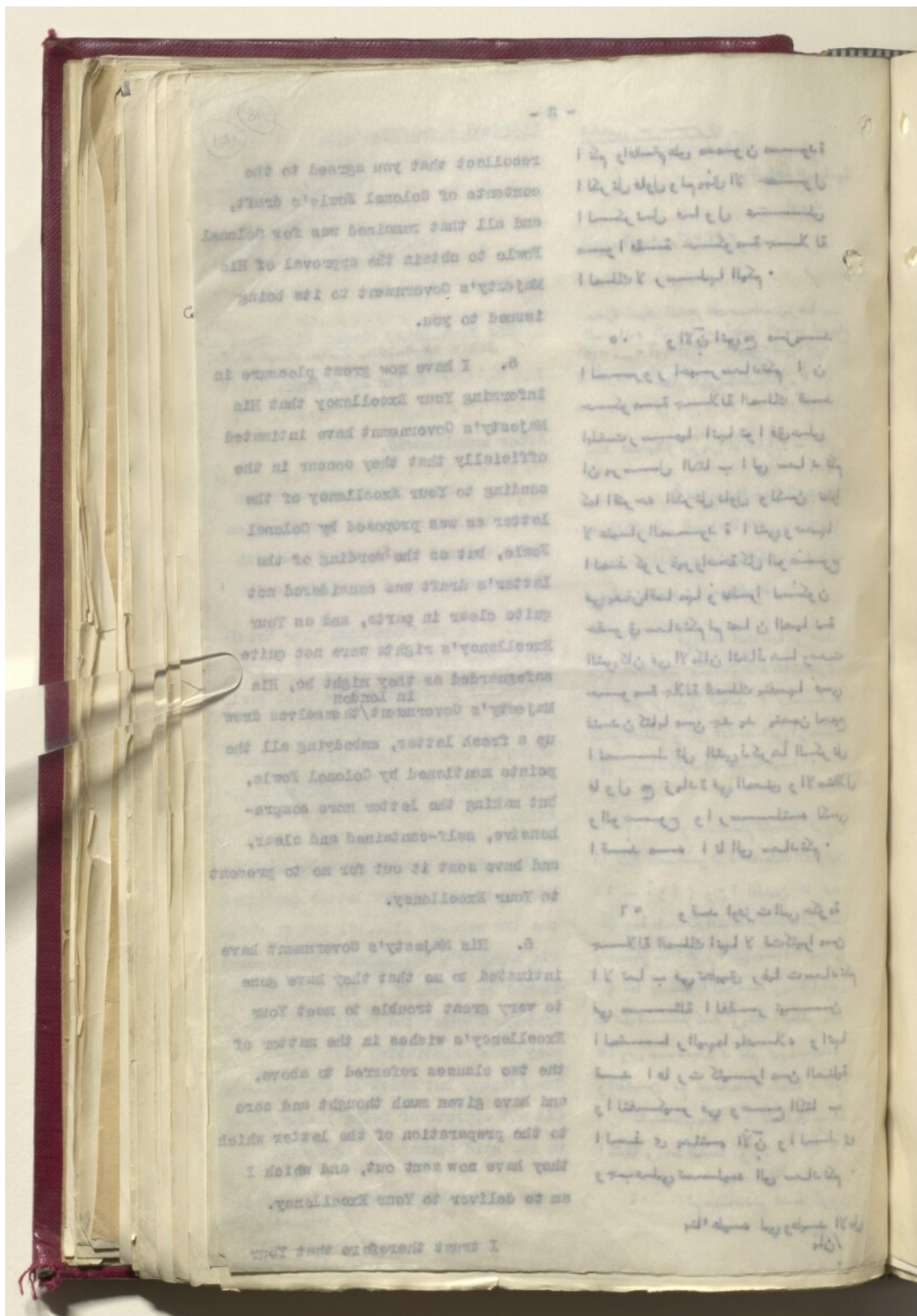
5. I have now great pleasure in
informing Your Excellency that His
Majesty's Government have intimated
officially that they concur in the
sending to Your Excellency of the
letter as was proposed by Colonel
Fowle, but as the wording of the
latter's draft was considered not
quite clear in parts, and as Your
Excellency's rights were not quite
safeguarded as they might be, His
Majesty's Government ^{in London} /themselves drew
up a fresh letter, embodying all the
points mentioned by Colonel Fowle,
but making the letter more compre-
hensive, self-contained and clear,
and have sent it out for me to present
to Your Excellency.

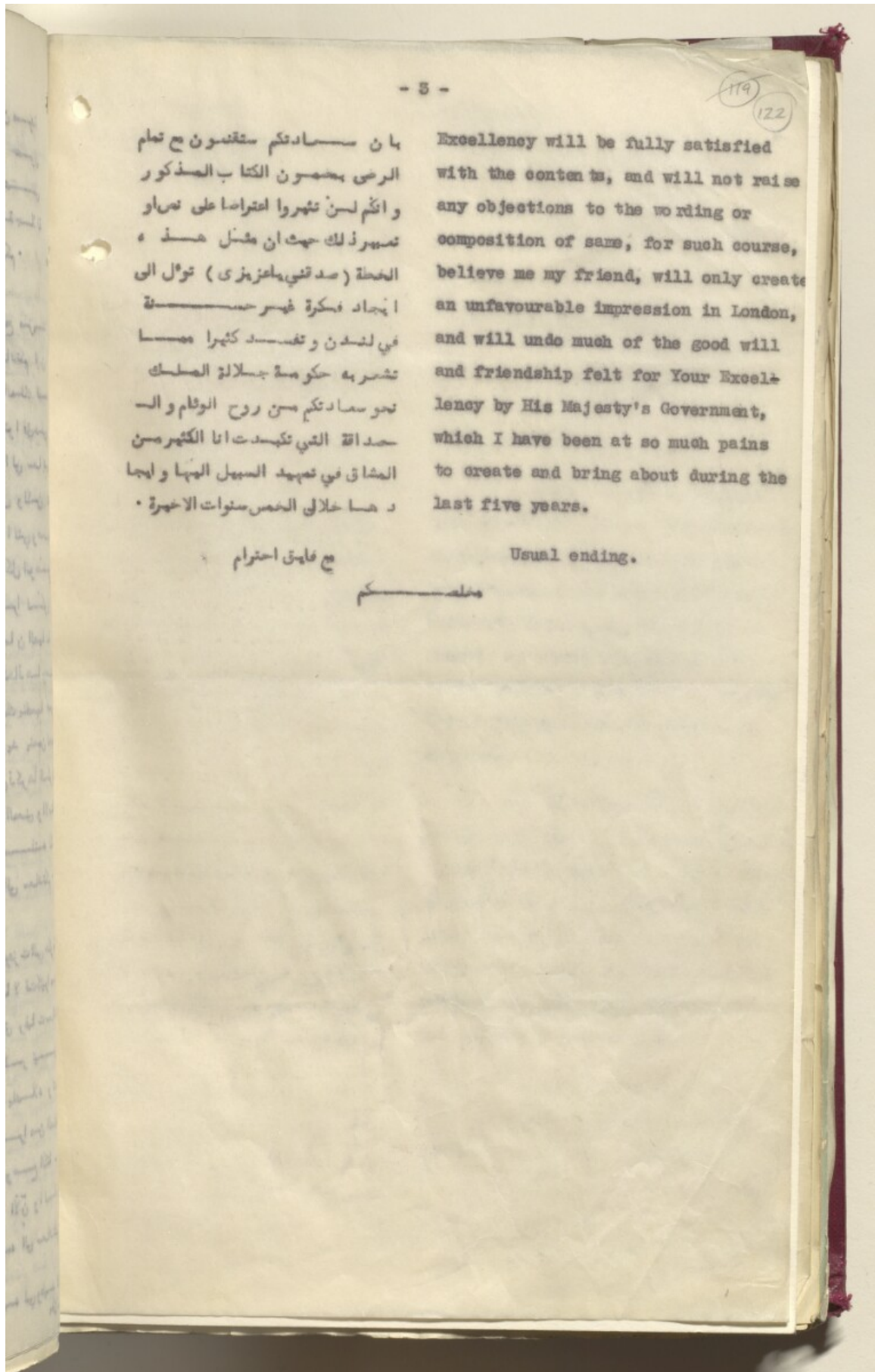
•٦ وقد اجزت الي حكومة
جلالة الملك انها لا تقتضيا من
الاتمام في تطبيق رغبات ساداتكم
في مسألة الفقرتين
المشار اليهما باعلاء وانها
قد اعارت كنهرا من العناية
والتمكيد في وضع الكتاب
الذي يمتنع الآن والذي
وجب علي تسليمه الي ساداتكم .

6. His Majesty's Government have
intimated to me that they have gone
to very great trouble to meet Your
Excellency's wishes in the matter of
the two clauses referred to above,
and have given much thought and care
to the preparation of the letter which
they have now sent out, and which I
am to deliver to Your Excellency.

بناء عليه لي وطيد الامل
بان

I trust therefore that Your





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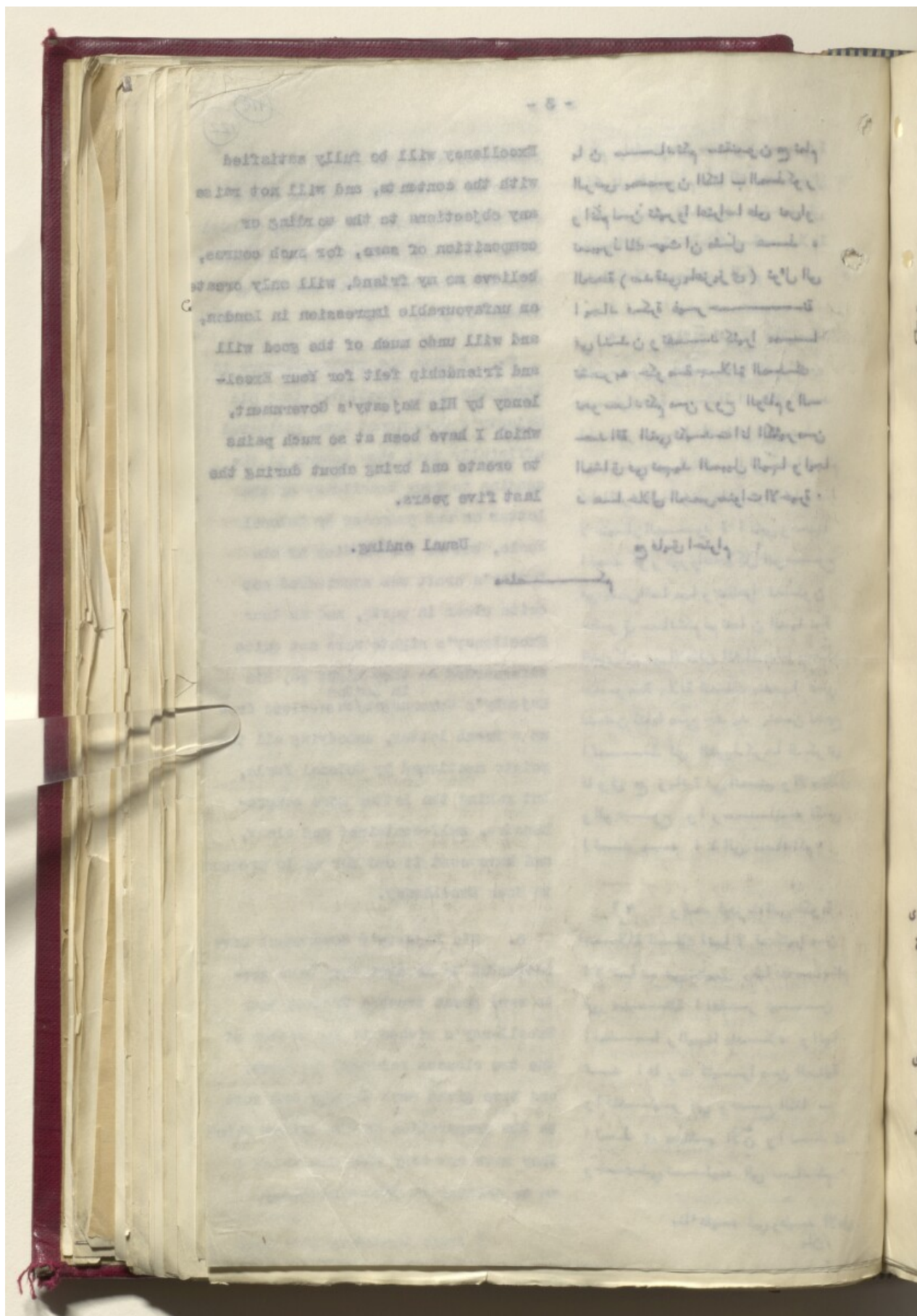
بأن سعادتك ستقتنون مع تمام
الرضى بضمون الكتاب المذكور
وانكم لن تثيروا اعتراضا على نص أو
تغيير ذلك حيث ان مثل هذه
الخطة (صدقني يا عزيزي) تؤول إلى
انجاد فكرة غير حسنة
في لندن وتفسد كثيرا مما
تشر به حكومة جلالة المملك
توسمادتك من روح الوثام وال
حداقة التي تكسدت انا الكثير من
المشاق في تصعيد السبل الهيا والجا
د ها خلال الخمس سنوات الاخيرة .

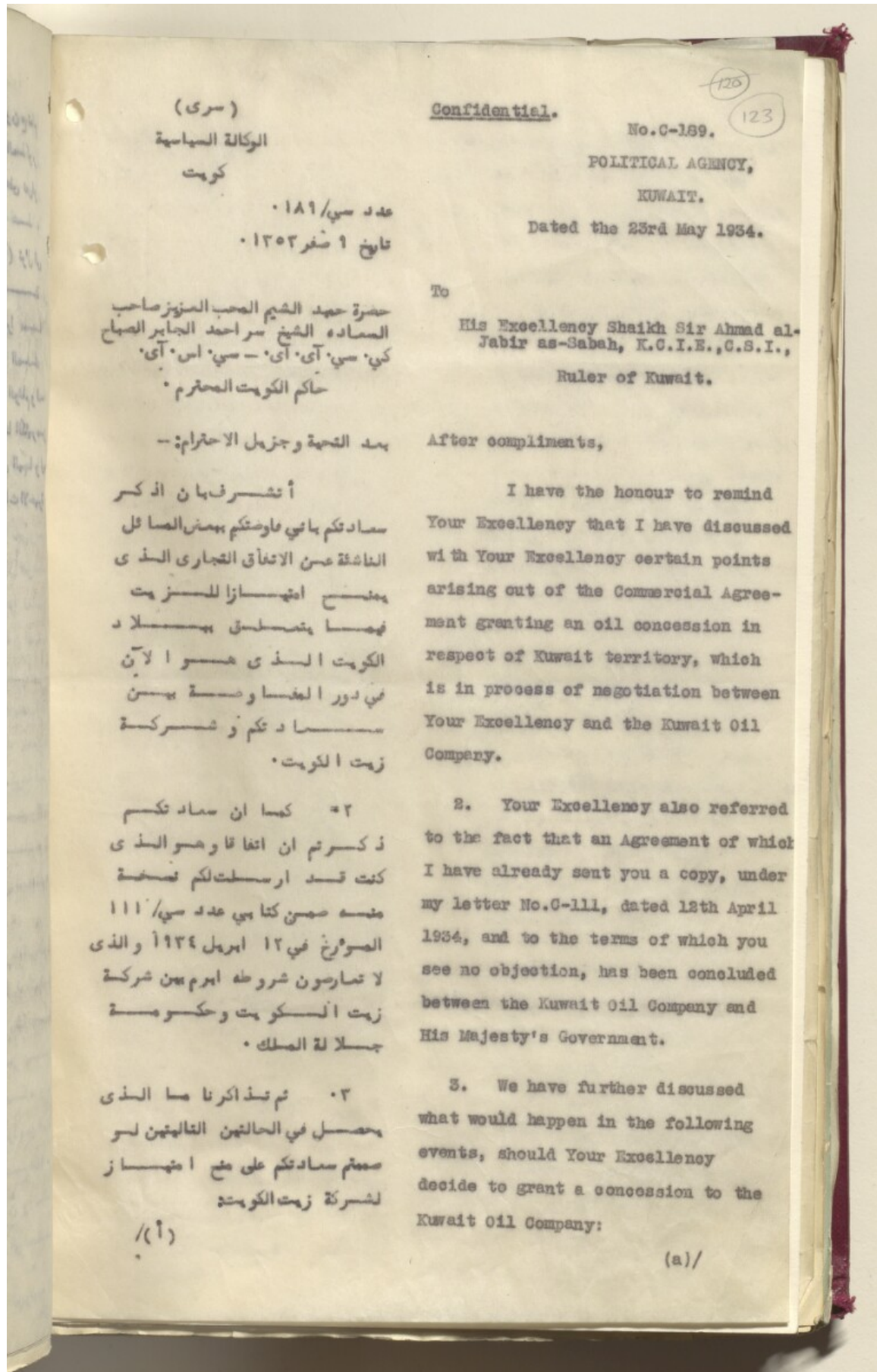
Excellency will be fully satisfied
with the contents, and will not raise
any objections to the wording or
composition of same, for such course,
believe me my friend, will only create
an unfavourable impression in London,
and will undo much of the good will
and friendship felt for Your Excell-
lency by His Majesty's Government,
which I have been at so much pains
to create and bring about during the
last five years.

مع فائق احترام

Usual ending.

مخلصكم





(سري)
الوكالة السياسية
كويت

عدد سي/١٨٩
تاريخ ١ صفر ١٣٥٣

حضرة حميد الشيم المحب المنور صاحب
السماءه الشيخ سراج الدين الجابر الصباح
كي. سي. آي. آي. - سي. اس. آي.
حاكم الكويت المحترم

بعد التحية وجيز الاحترام:-

أشرف بان اذكر
سادتكم باي فاضلكم بمضى الصائل
الناشئة عن الاتفاق التجاري الذي
يتمتع امتيازاً للسرير
فهما يتصلق بهما
الكويت الذي هو الآن
في دور المناقشة بين
سما دكم وشركة
زيت الكويت.

٢- كما ان سادتكم
ذكرتم ان اتفاقاً وهو الذي
كنت قد ارسلتكم نسخة
منه ضمن كتابي عدد سي/١١١
المؤرخ في ١٢ ابريل ١٩٣٤ والذي
لا تمارسون شروطه ابرم بين شركة
زيت الكويت وحكومة
جسالة الملك.

٣- ثم نذكرنا ما الذي
حصل في الحالتين التاليتين لـ
صمت سادتكم على منع امتياز
لشركة زيت الكويت

(١)/

Confidential.

No.C-189.

POLITICAL AGENCY,
KUWAIT.

Dated the 23rd May 1934.

To

His Excellency Shaikh Sir Ahmad al-
Jabir as-Sabah, K.C.I.E., C.S.I.,
Ruler of Kuwait.

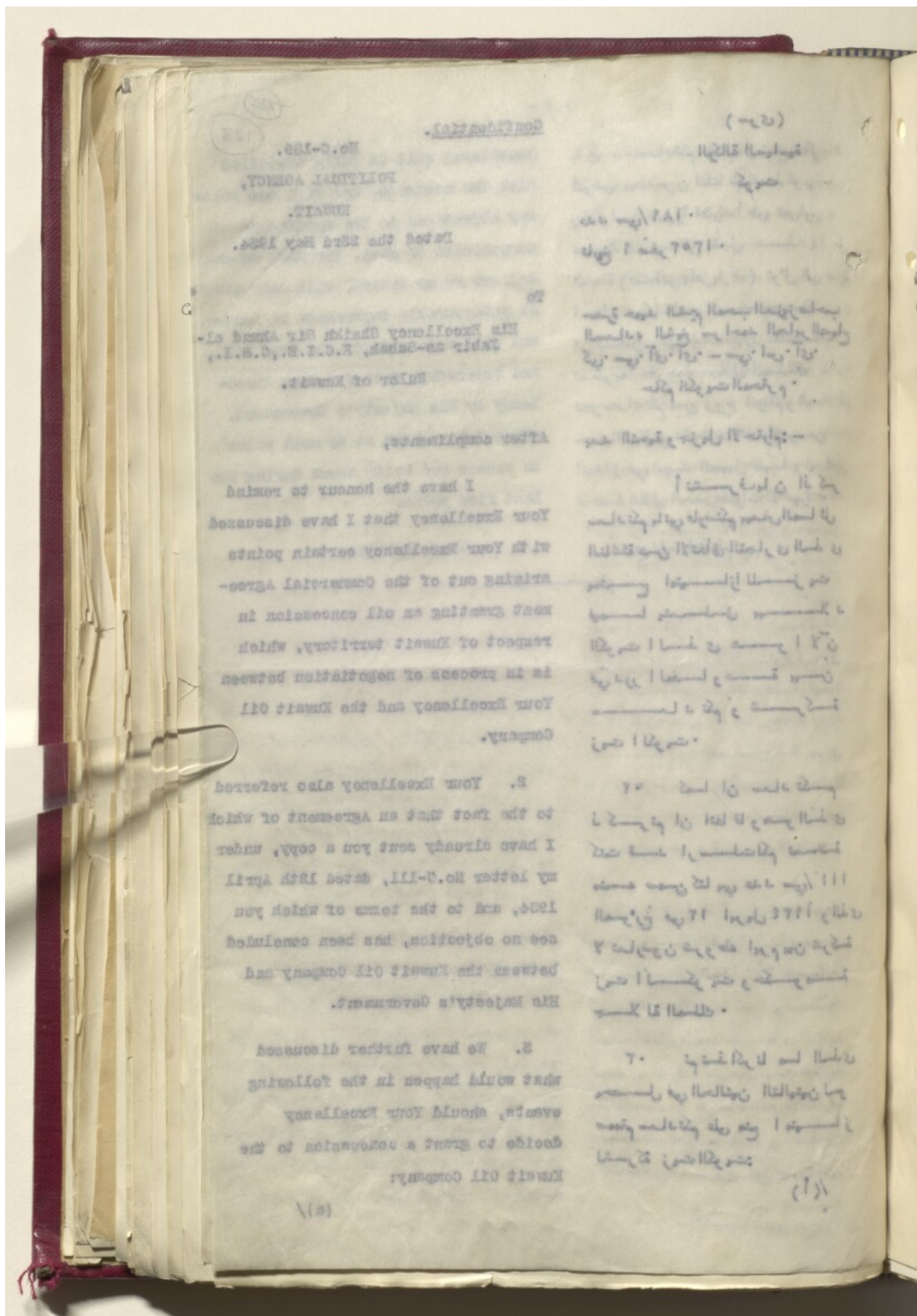
After compliments,

I have the honour to remind
Your Excellency that I have discussed
with Your Excellency certain points
arising out of the Commercial Agree-
ment granting an oil concession in
respect of Kuwait territory, which
is in process of negotiation between
Your Excellency and the Kuwait Oil
Company.

2. Your Excellency also referred
to the fact that an Agreement of which
I have already sent you a copy, under
my letter No.C-111, dated 12th April
1934, and to the terms of which you
see no objection, has been concluded
between the Kuwait Oil Company and
His Majesty's Government.

3. We have further discussed
what would happen in the following
events, should Your Excellency
decide to grant a concession to the
Kuwait Oil Company:

(a)/





- 2 -

(121)
(124)

أ - إذا عجزت شركة زيت الكويت
عن القيام بأي شمسوط من
شمسوط الاتفاق المقسود
بين الشركة وحكومة جلالة
الملك الموقر عليه في لندن
في ٥ مارس ١٩٣٤ المشار اليه
بإعلاء وإذا اجليت المسئلة
للتحكيم بموجب المادة ١٨ من
الاتفاقية التجارية مع سعادتك
المشار اليها بإعلاء ايما وفعلت
في ملاقات مثل هذا المجزمن
المسئلة المسئلة التي تحدد
بمسئلة المحكمة
لهذا الغرض.

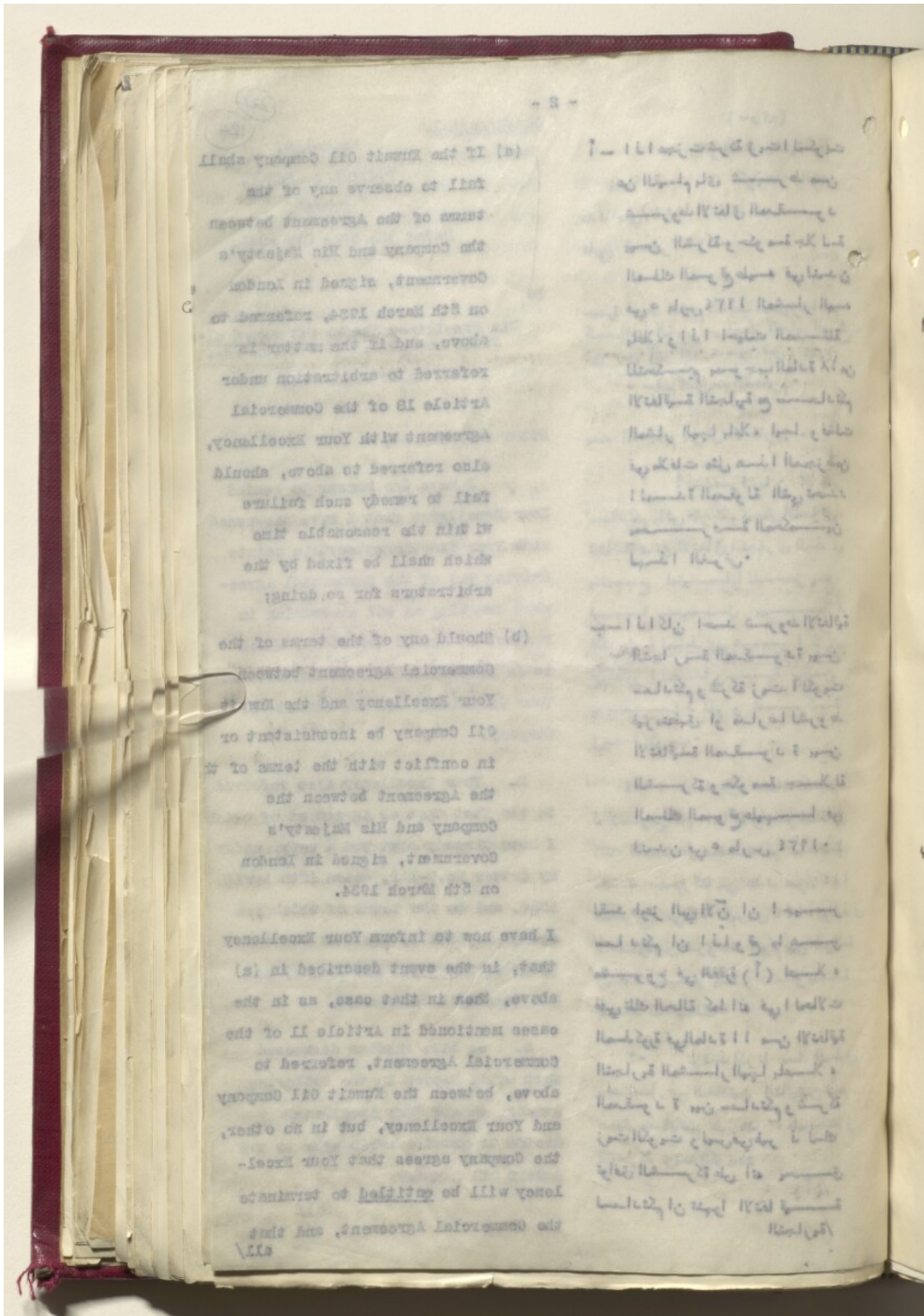
ب - اذا كان احد شروط الاتفاقية
التجارية المقسودة بين
سعادتك وشركة زيت الكويت
غير متطبق او صارضا لشروط
الاتفاقية المقسودة بين
الشركة وحكومة جلالة
الملك الموقر عليه في
لندن في ٥ مارس ١٩٣٤.

لقد اوعز الي الان ان اخبر
سعادتك ان اذا وقع ما هو
مذكور في الفقرة (أ) اعلاه
ففي تلك الحالة كما انه في الحالات
المذكورة في المادة ١١ من الاتفاقية
التجارية المشار اليها بإعلاء
المقسودة بين سعادتك وشركة
زيت الكويت وليس في غير ذلك
توافق الشركة على انه يحسب
لسعادتك ان تنهوا الاتفاقية
التجارية.

(a) If the Kuwait Oil Company shall
fail to observe any of the
terms of the Agreement between
the Company and His Majesty's
Government, signed in London
on 5th March 1934, referred to
above, and if the matter is
referred to arbitration under
Article 18 of the Commercial
Agreement with Your Excellency,
also referred to above, should
fail to remedy such failure
within the reasonable time
which shall be fixed by the
arbitrators for so doing;

(b) Should any of the terms of the
Commercial Agreement between
Your Excellency and the Kuwait
Oil Company be inconsistent or
in conflict with the terms of the
Agreement between the
Company and His Majesty's
Government, signed in London
on 5th March 1934.

I have now to inform Your Excellency
that, in the event described in (a)
above, then in that case, as in the
cases mentioned in Article 11 of the
Commercial Agreement, referred to
above, between the Kuwait Oil Company
and Your Excellency, but in no other,
the Company agrees that Your Excel-
lency will be entitled to terminate
the Commercial Agreement, and that
all/





- 3 -

التجارة رمة وان جميع ممتلكات الشركة
ضمن اماره الكويت تصبح
ملكاً للشايخ .

اما في الحالة الموصفة
في الفقرة (ب) اعلاه فان الاتفاقية
التجارية المقترحة بين ساداتكم
وشركة زيت الكويت يجب ان تكون
الى مدى ذلك التماس وعي
الاتفاق تامة الى وتحت سيطرة
شروط الاتفاق المقترحة بين
الشركة وحكومة جلالة الملك
الموقع عليه في لندن
في ٥ مارس ١٩٣٤ .

٥٤ . وقد طلبتم ساداتكم
الي ان ابين ما اذا يكون الموقع
في حالة انتهاء الاتفاقية المقترحة
بين ساداتكم والشركة في الظروف
الموصفة في الفقرة (أ) اعلاه
تجاء الارض التي منحها الشايخ
للشركة والاراضي الاخرى
او العا في التي قد تكون الشركة
قد اشترتها وجميع البيوت او العا في
التي انشأها و غير
ذلك من ممتلكات الشركة
النهر المنقولة في اماره
الكويت .

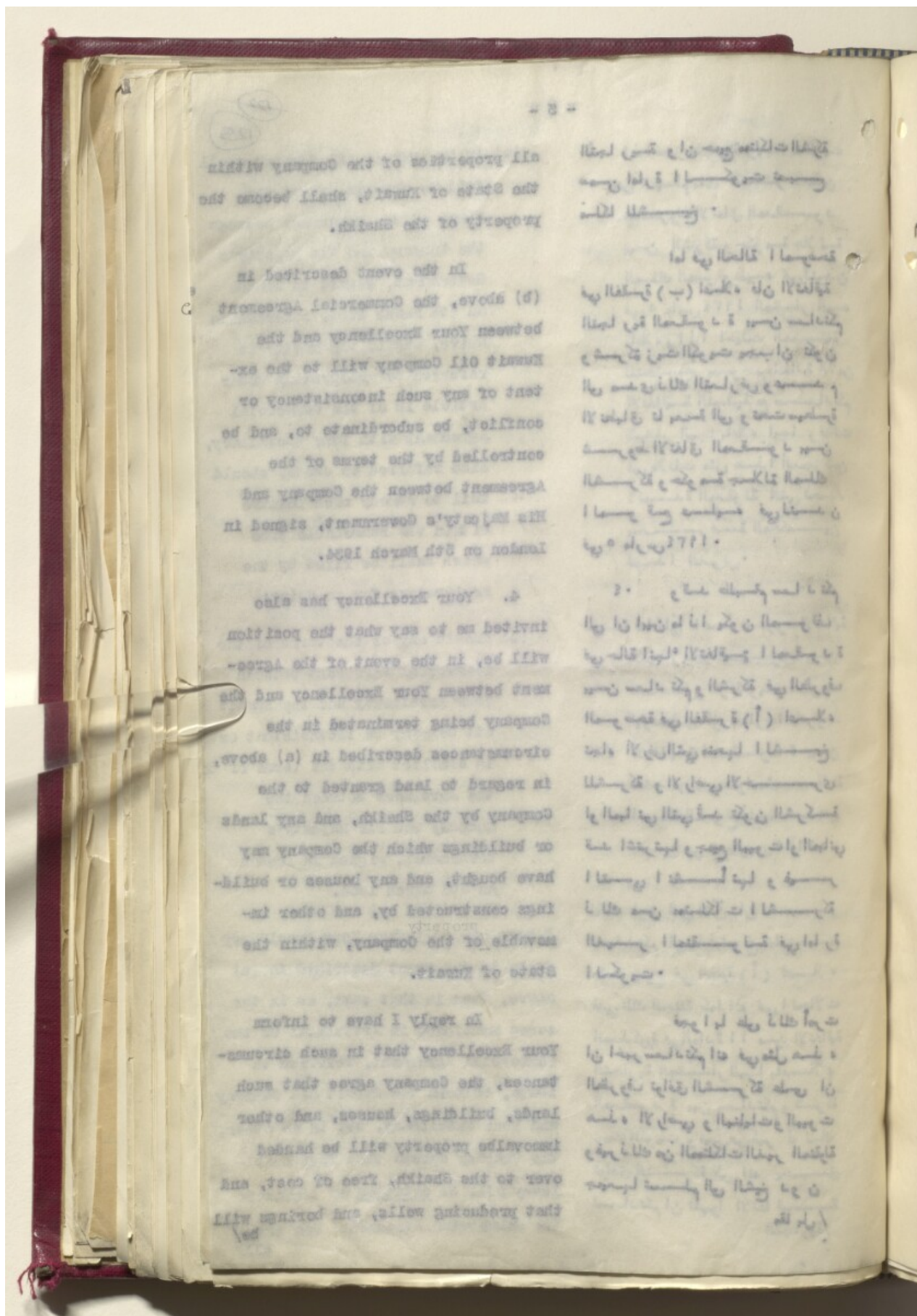
فبوابا على ذلك امرت
ان اخبر ساداتكم انه في مثل هذه
الظروف توافق الشركة على ان
هذه الاراضي والمباني والبيوت
وغير ذلك من الممتلكات النهر المنقولة
جميعها تسلم الى الشايخ دون
مقابل /

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all properties of the Company within
the State of Kuwait, shall become the
property of the Shaikh.

In the event described in
(b) above, the Commercial Agreement
between Your Excellency and the
Kuwait Oil Company will to the ex-
tent of any such inconsistency or
conflict, be subordinate to, and be
controlled by the terms of the
Agreement between the Company and
His Majesty's Government, signed in
London on 5th March 1934.

4. Your Excellency has also
invited me to say what the position
will be, in the event of the Agree-
ment between Your Excellency and the
Company being terminated in the
circumstances described in (a) above,
in regard to land granted to the
Company by the Shaikh, and any lands
or buildings which the Company may
have bought, and any houses or build-
ings constructed by, and other im-
movable ^{property} of the Company, within the
State of Kuwait.

In reply I have to inform
Your Excellency that in such circum-
stances, the Company agree that such
lands, buildings, houses, and other
immovable property will be handed
over to the Shaikh, free of cost, and
that producing wells, and borings will
be/





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مقابل وان الآبار المنتجة والحفائر
تسلم بحالة جيدة وصالحة للعمل.

be handed over in reasonably good
order and repair.

• • وقد اعرهتم سعادتكم
بعد البحث في انكم فهمتم
حقائق الترتيبات كما سطر
اعلاء وانكم مستعدون للموافقة
عليها. فالآن التمس ان تفضلوا
سعادتكم بتأكيد
ذلك كتابة.

5. Your Excellency has intimated
after discussion with me that you
understand the nature of the arrange-
ment, as set out above, and that you
are prepared to agree to them. I now
request that Your Excellency will be
good enough to confirm this in writ-
ing.

• ٦ حال وصول جوابكم
ستسعى حكومة جلالة
الملك للحصول على تأييد رسمي
من الشركة لقبولها الشروط
الموضوعة البحث و سترسل
هكذا التأييد الى
سعادتكم.

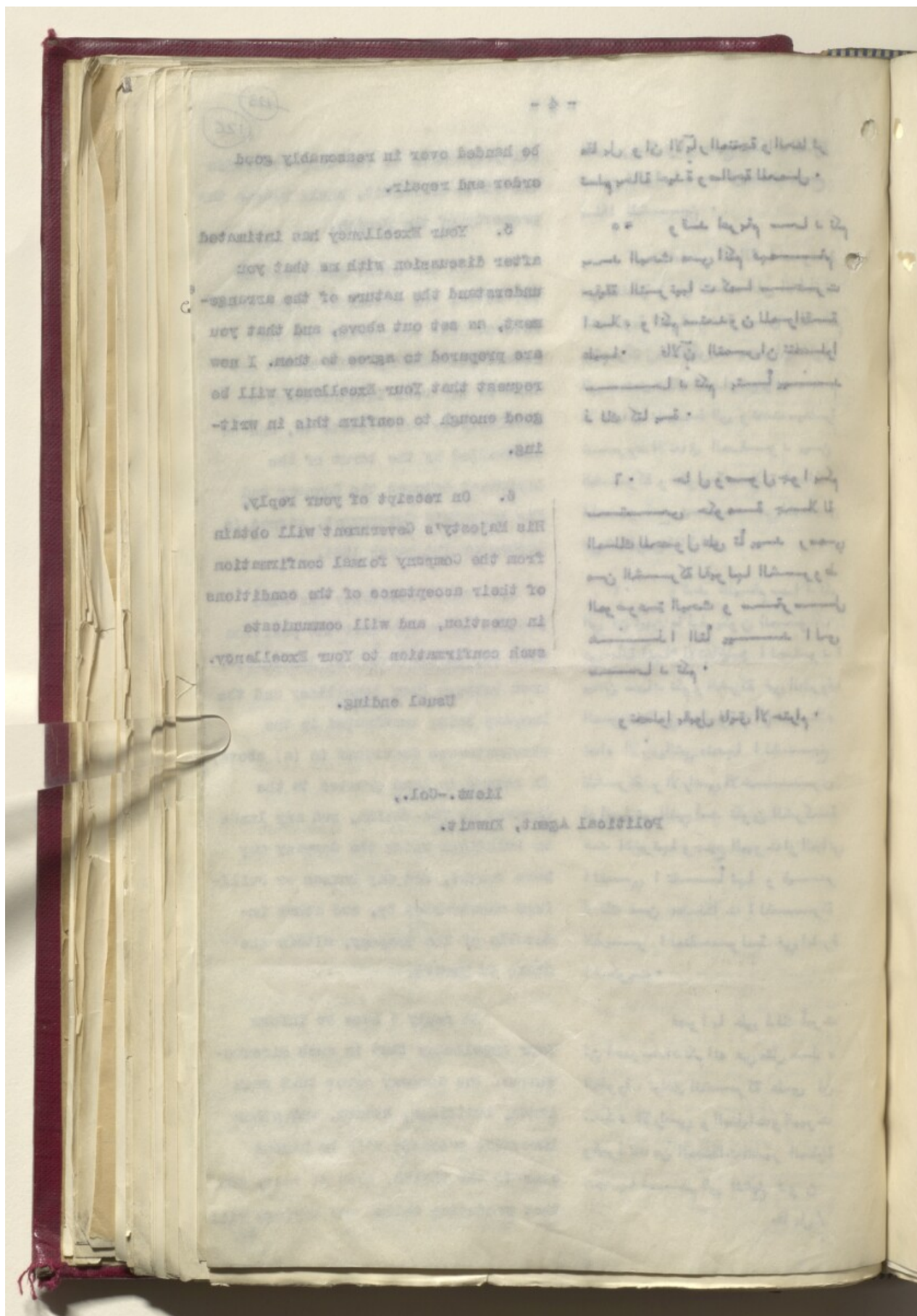
6. On receipt of your reply,
His Majesty's Government will obtain
from the Company formal confirmation
of their acceptance of the conditions
in question, and will communicate
such confirmation to Your Excellency.

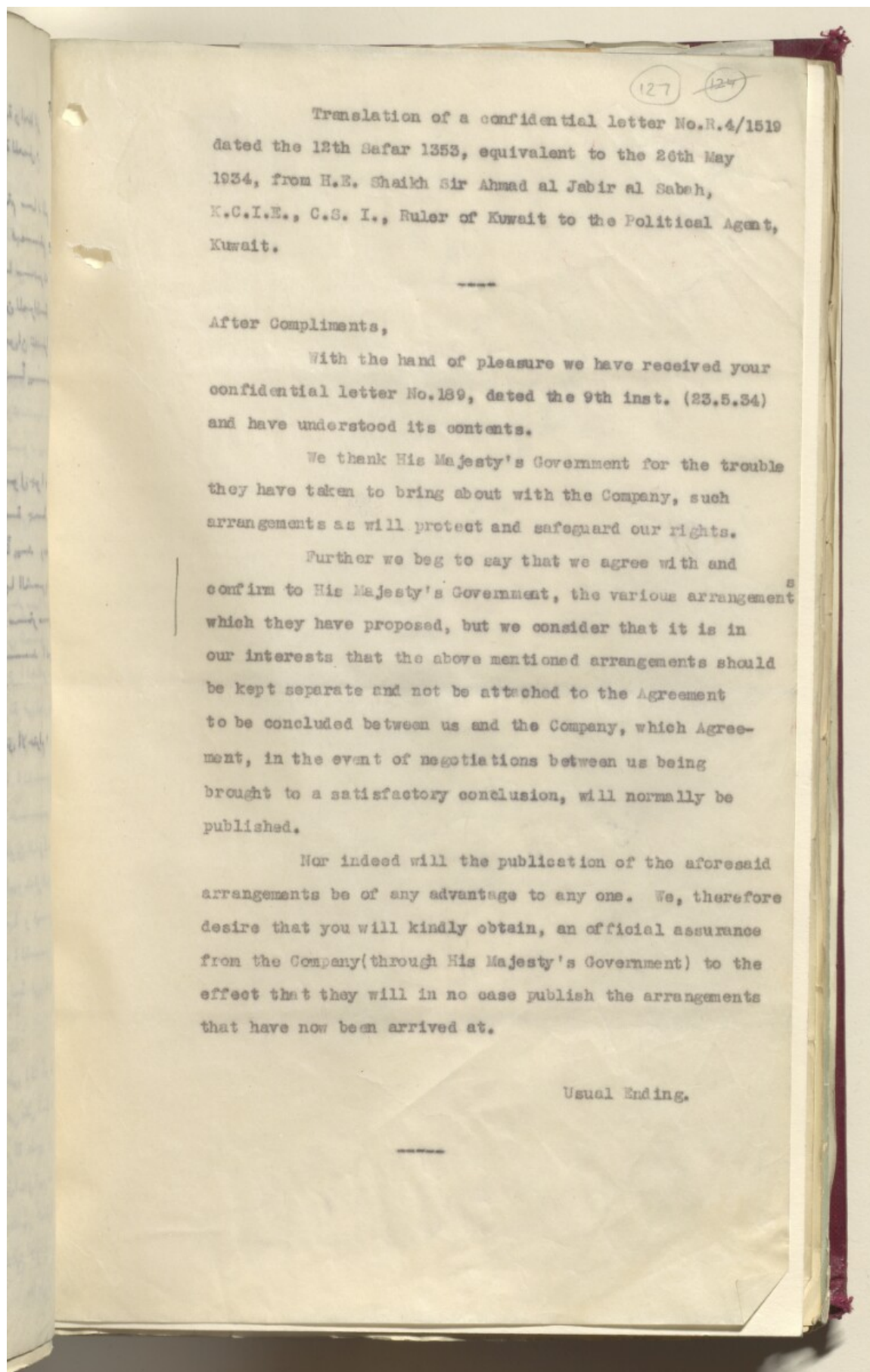
Usual ending.

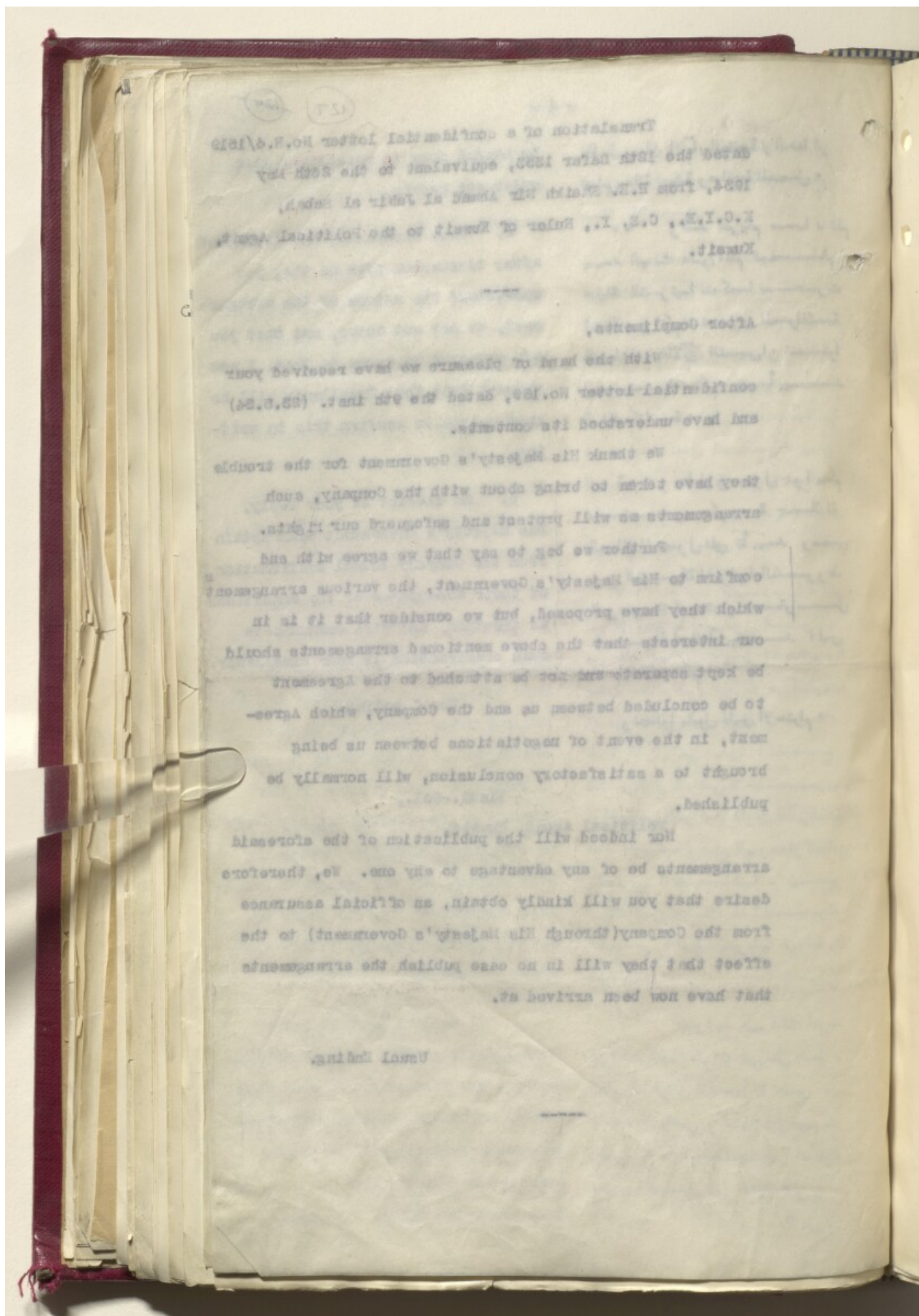
وتفضلوا بقبول فائق الاحترام.

Lieut.-Col.,

Political Agent, Kuwait.









CONFIDENTIAL.

No.C-210.

POLITICAL AGENCY,
KUWAIT.

Dated the 6th June 1934.

From

Lt.-Colonel H.R.P. Dickson, C.I.E.,
Political Agent, Kuwait;

To

The Hon'ble the Political Resident
in the Persian Gulf, Bushire.

Subject:- KUWAIT OIL NEGOTIATIONS.

Sir,

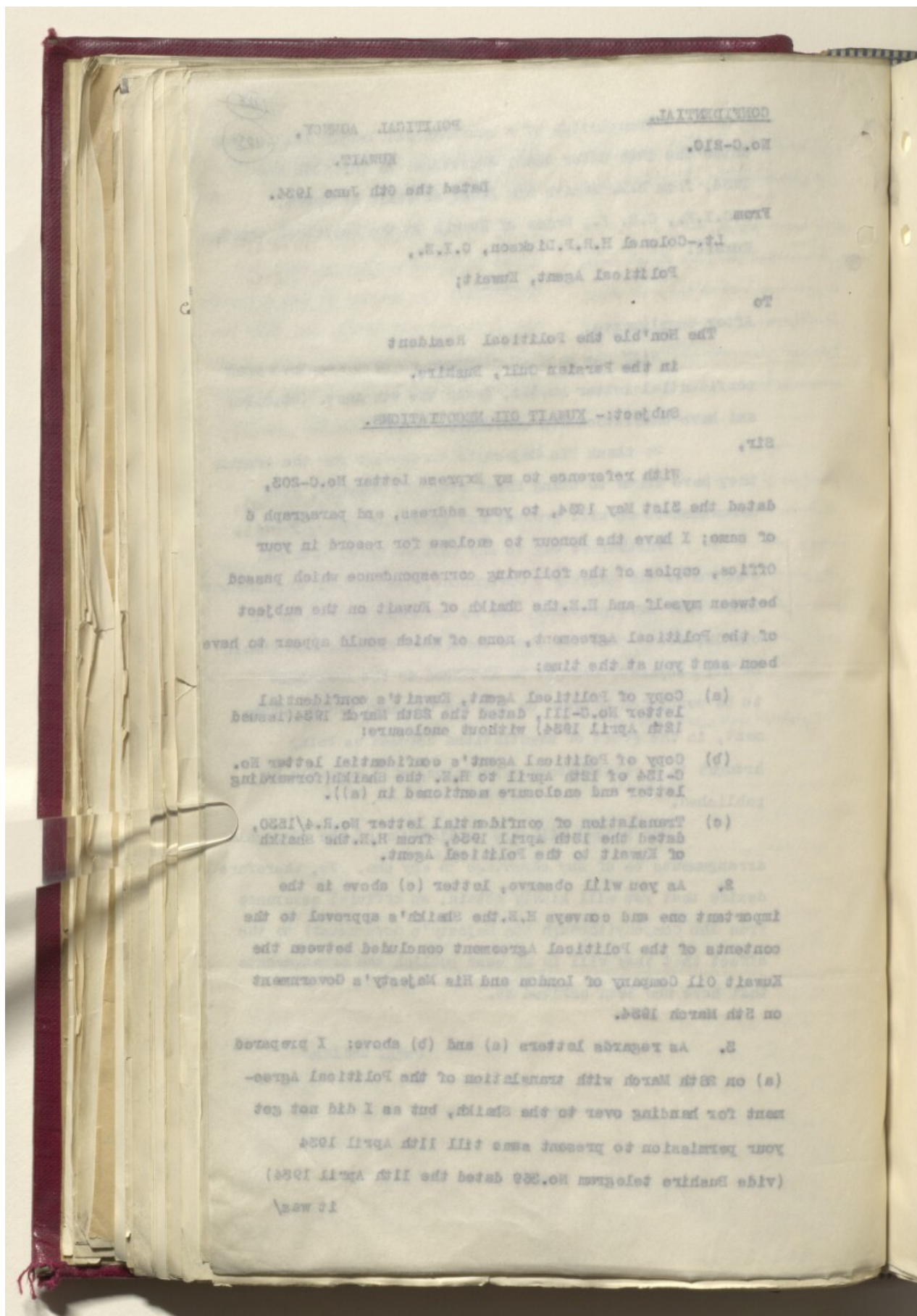
With reference to my Express Letter No.C-203, dated the 31st May 1934, to your address, and paragraph 6 of same; I have the honour to enclose for record in your Office, copies of the following correspondence which passed between myself and H.E. the Shaikh of Kuwait on the subject of the Political Agreement, none of which would appear to have been sent you at the time:

- (a) Copy of Political Agent, Kuwait's confidential letter No.C-111, dated the 28th March 1934 (issued 12th April 1934) without enclosure:
- (b) Copy of Political Agent's confidential letter No. C-134 of 12th April to H.E. the Shaikh (forwarding letter and enclosure mentioned in (a)).
- (c) Translation of confidential letter No.R.4/1530, dated the 13th April 1934, from H.E. the Shaikh of Kuwait to the Political Agent.

2. As you will observe, letter (c) above is the important one and conveys H.E. the Shaikh's approval to the contents of the Political Agreement concluded between the Kuwait Oil Company of London and His Majesty's Government on 5th March 1934.

3. As regards letters (a) and (b) above: I prepared (a) on 28th March with translation of the Political Agreement for handing over to the Shaikh, but as I did not get your permission to present same till 11th April 1934 (vide Bushire telegram No.369 dated the 11th April 1934)

it was/





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(129)

it was held up till 12th April, on which date I sent my letter mentioned in (a).

4. I am sending 5 copies of this and enclosures to Bushire to enable you to send copies to London and Delhi, should you so desire.

I have the honour to be,

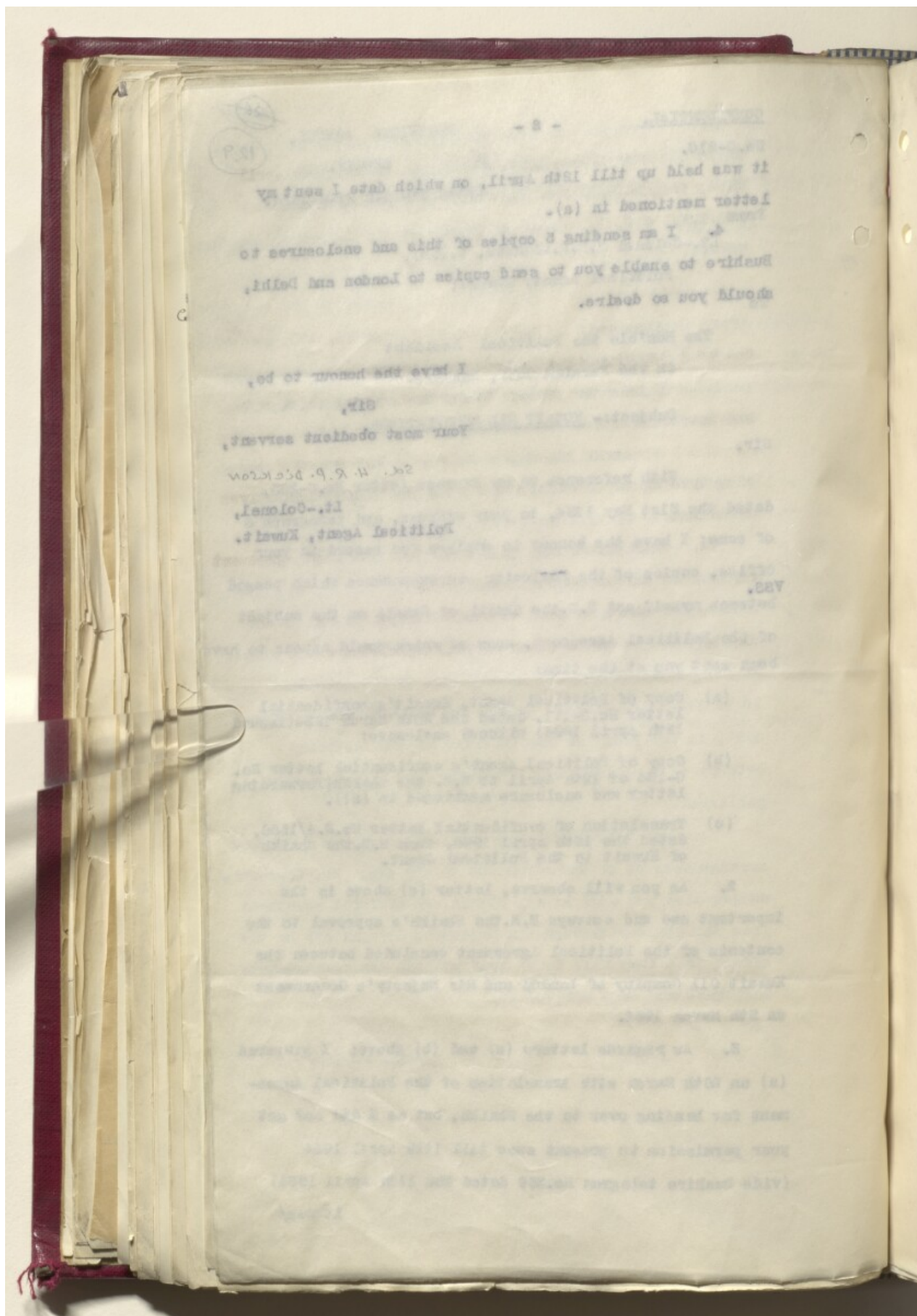
Sir,

Your most obedient servant,

Sd. H. R. P. Dickson

Lt.-Colonel,
Political Agent, Kuwait.

VSS.





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130
Copy of letter No.C-111, dated the 28th April 1934 from the Political Agent, Kuwait to His Excellency the Ruler of Kuwait.

After Compliments,

Reference my confidential letter No.C-70, dated the 22nd February 1934 to Your Excellency.

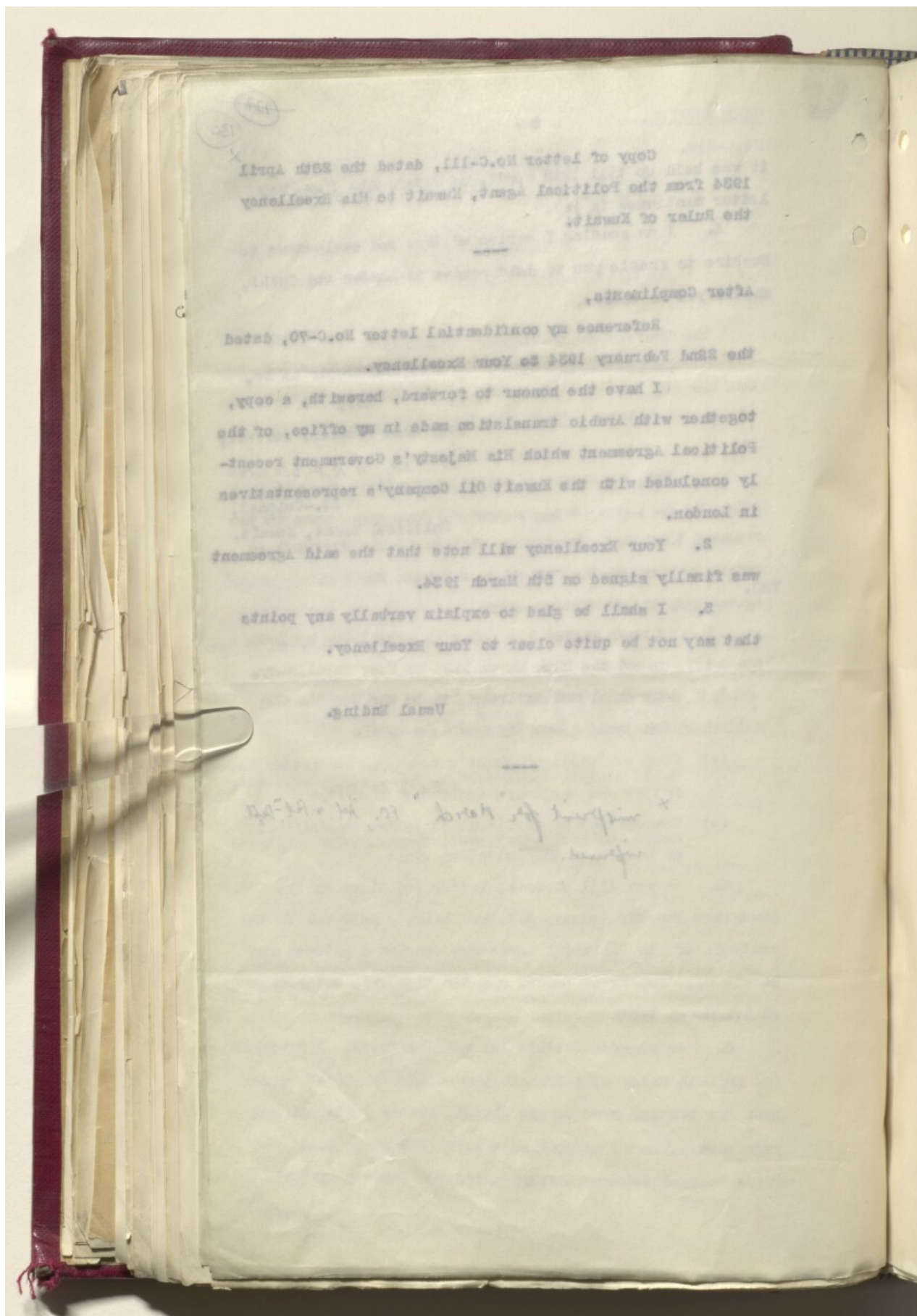
I have the honour to forward, herewith, a copy, together with Arabic translation made in my office, of the Political Agreement which His Majesty's Government recently concluded with the Kuwait Oil Company's representatives in London.

2. Your Excellency will note that the said Agreement was finally signed on 5th March 1934.

3. I shall be glad to explain verbally any points that may not be quite clear to Your Excellency.

Usual Ending.

* misprint for "March" FC, Ad. & Ret-Dept. informed.





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131
Copy of letter No.C-134, dated the 12th April 1934, from the Political Agent, Kuwait, to His Excellency the Ruler of Kuwait.

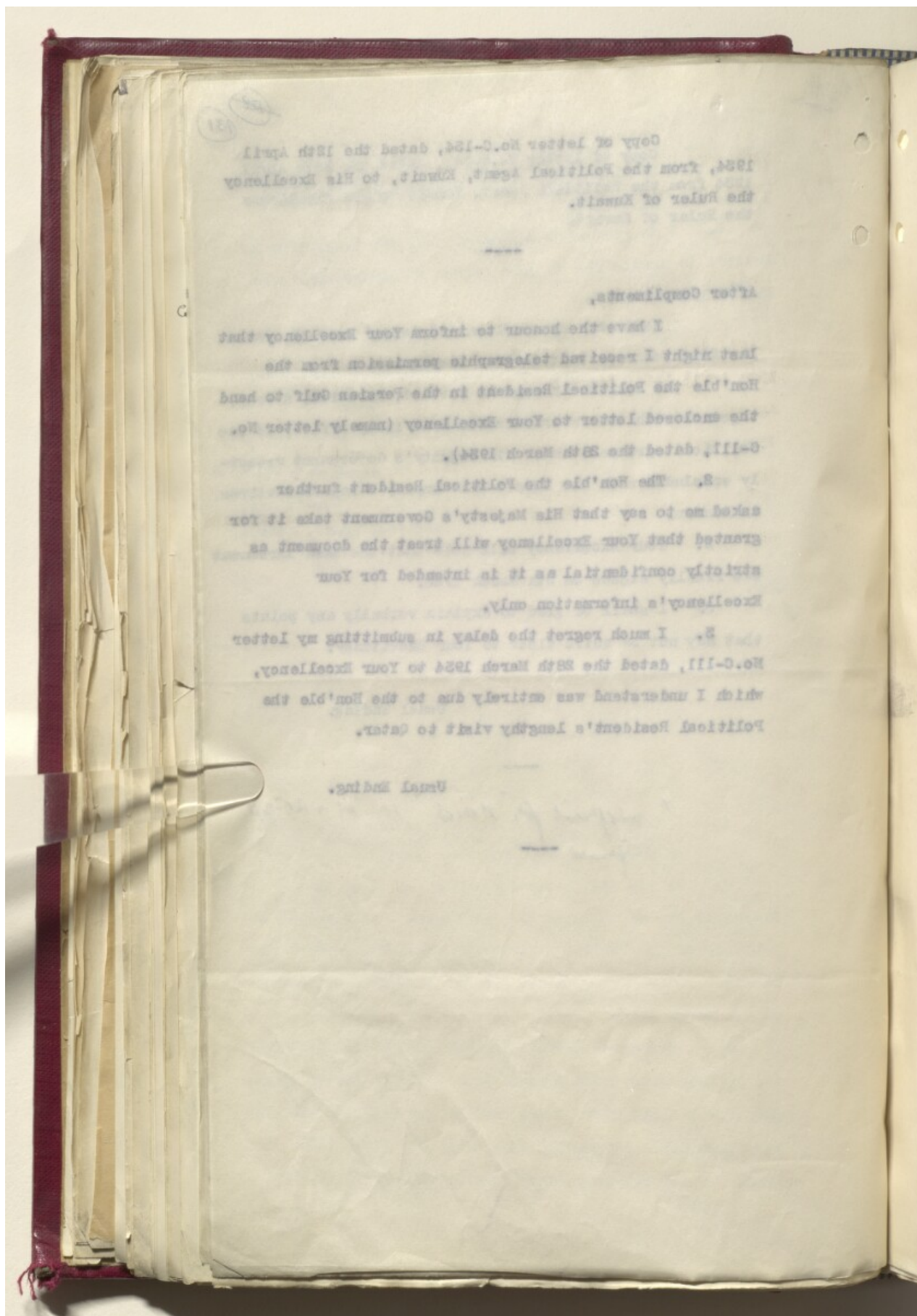
After Compliments,

I have the honour to inform Your Excellency that last night I received telegraphic permission from the Hon'ble the Political Resident in the Persian Gulf to hand the enclosed letter to Your Excellency (namely letter No. C-111, dated the 28th March 1934).

2. The Hon'ble the Political Resident further asked me to say that His Majesty's Government take it for granted that Your Excellency will treat the document as strictly confidential as it is intended for Your Excellency's information only.

3. I much regret the delay in submitting my letter No.C-111, dated the 28th March 1934 to Your Excellency, which I understand was entirely due to the Hon'ble the Political Resident's lengthy visit to Qatar.

Usual Ending.



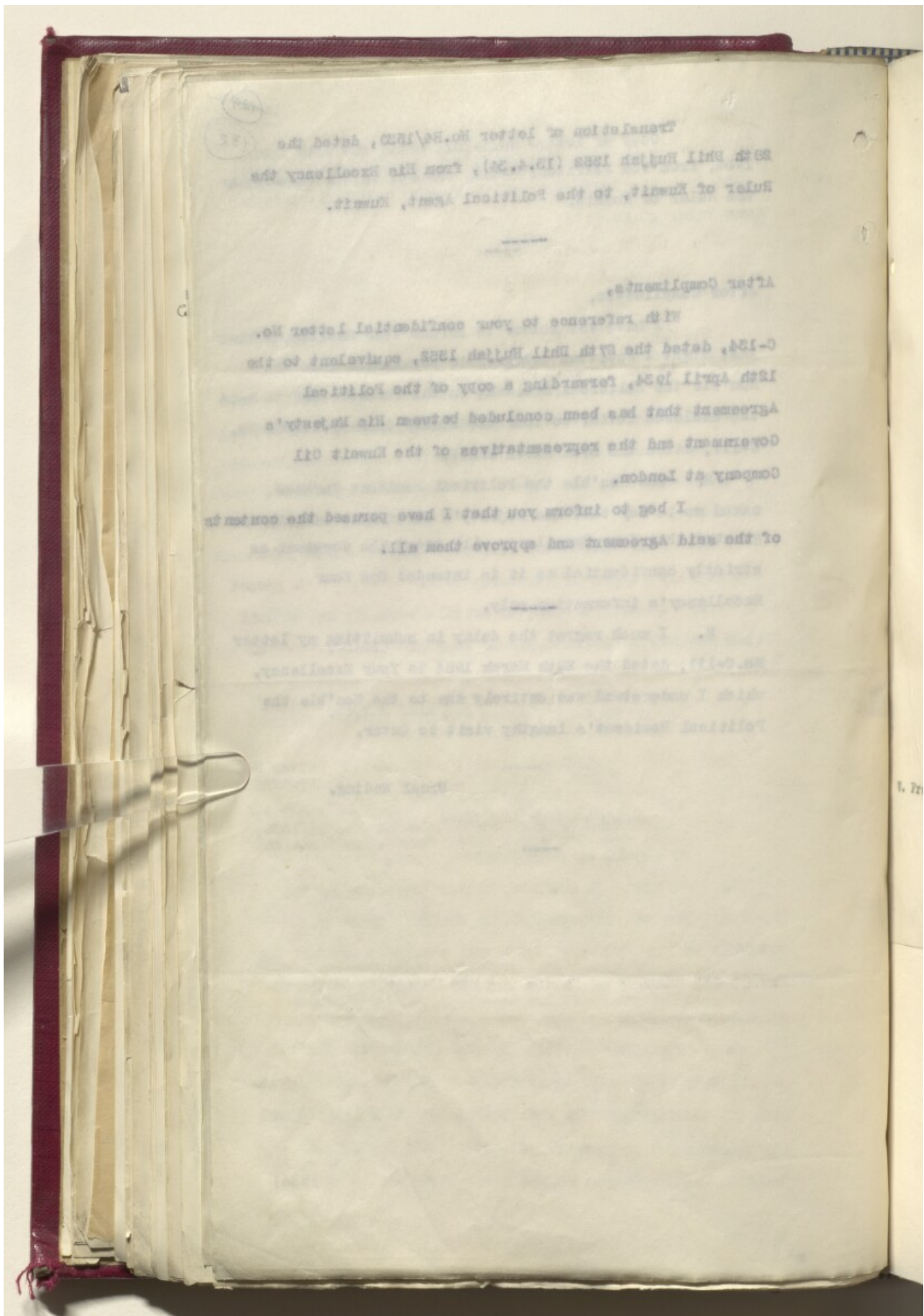


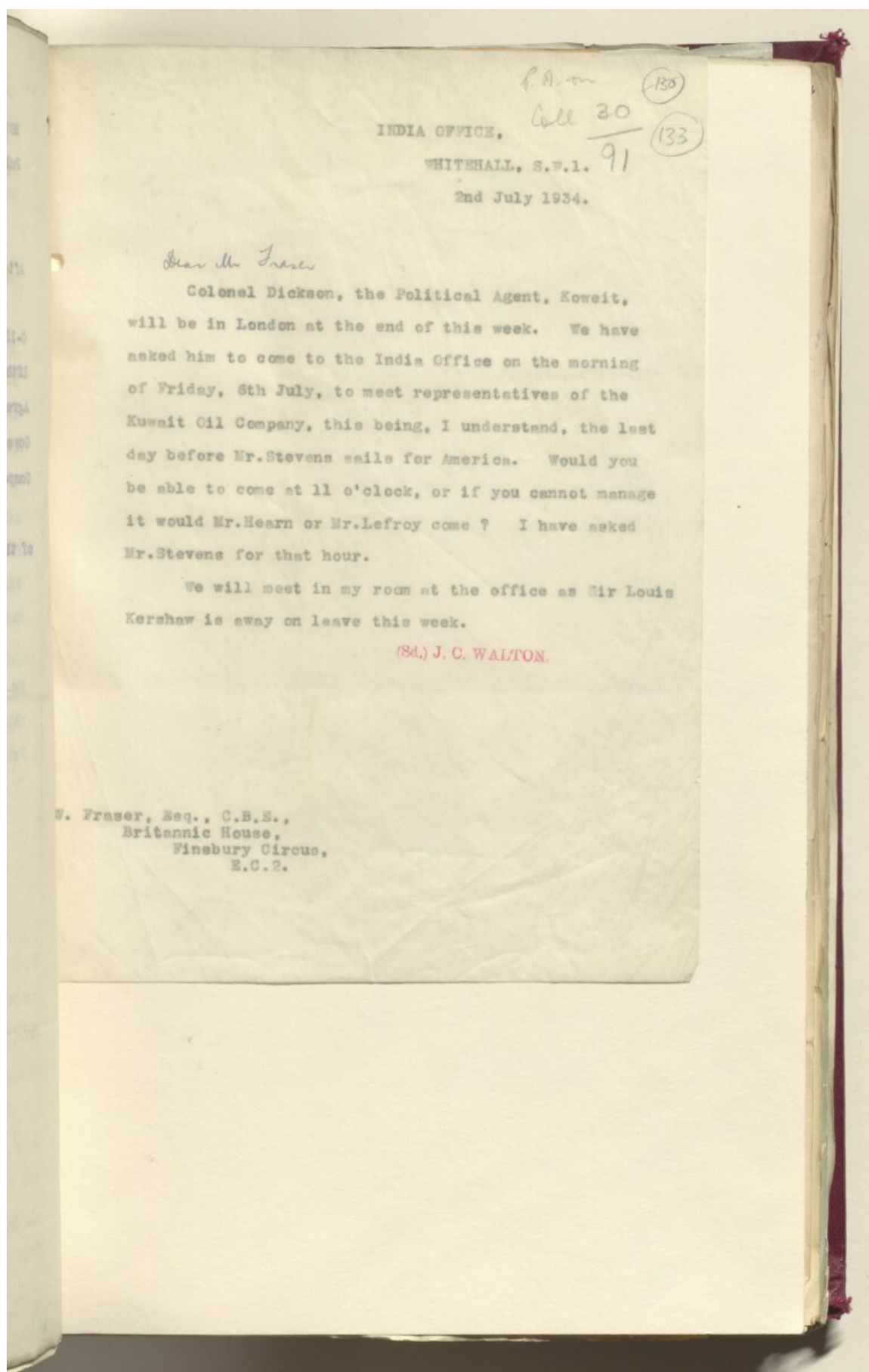
Translation of letter No.R4/1530, dated the 28th Dhil Hujjah 1352 (13.4.34), from His Excellency the Ruler of Kuwait, to the Political Agent, Kuwait.

After Compliments,

With reference to your confidential letter No. C-134, dated the 27th Dhil Hujjah 1352, equivalent to the 12th April 1934, forwarding a copy of the Political Agreement that has been concluded between His Majesty's Government and the representatives of the Kuwait Oil Company at London.

I beg to inform you that I have perused the contents of the said Agreement and approve them all.





INDIA OFFICE,

WHITEHALL, S.W.1.

2nd July 1934.

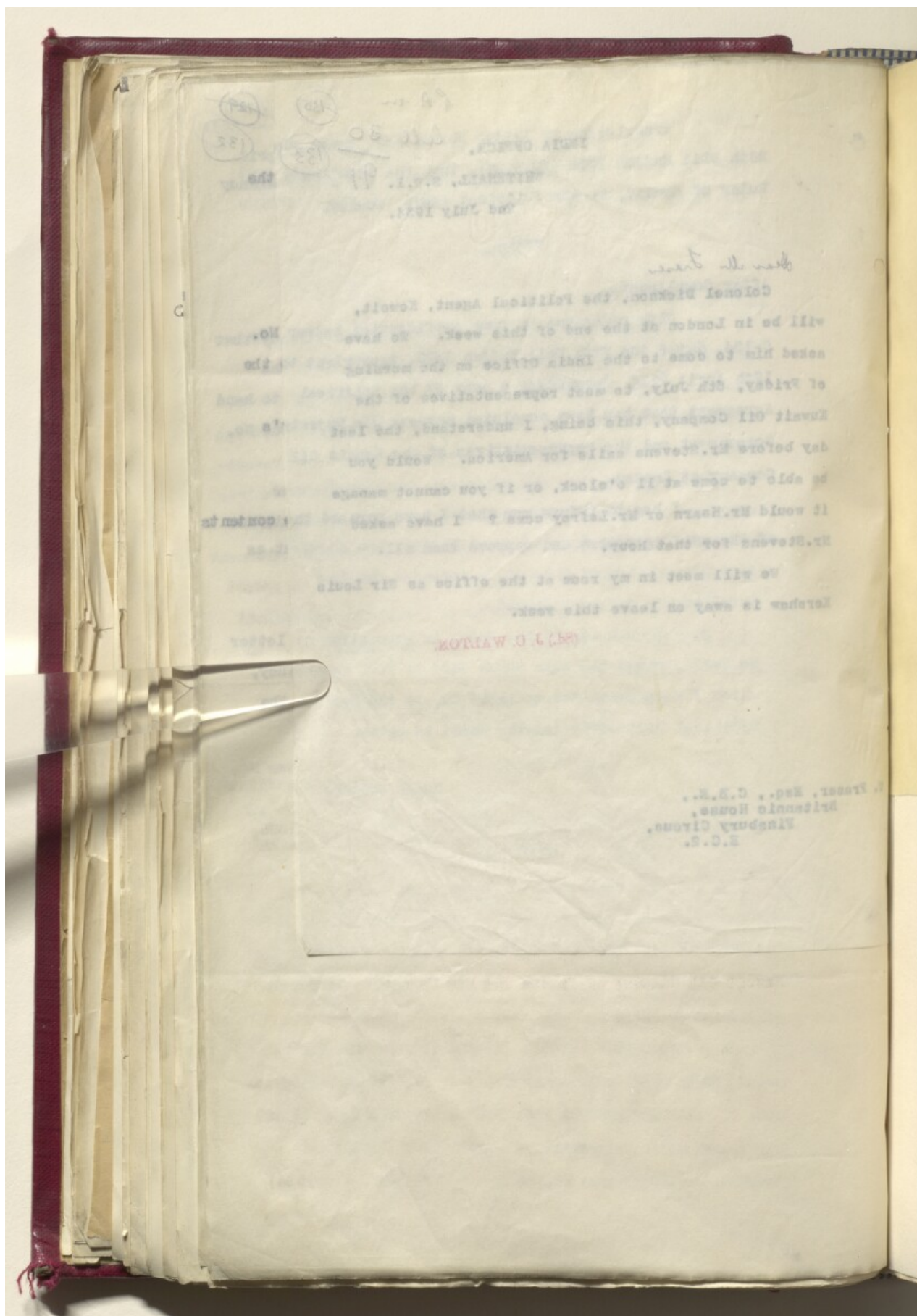
Dear Mr Fraser

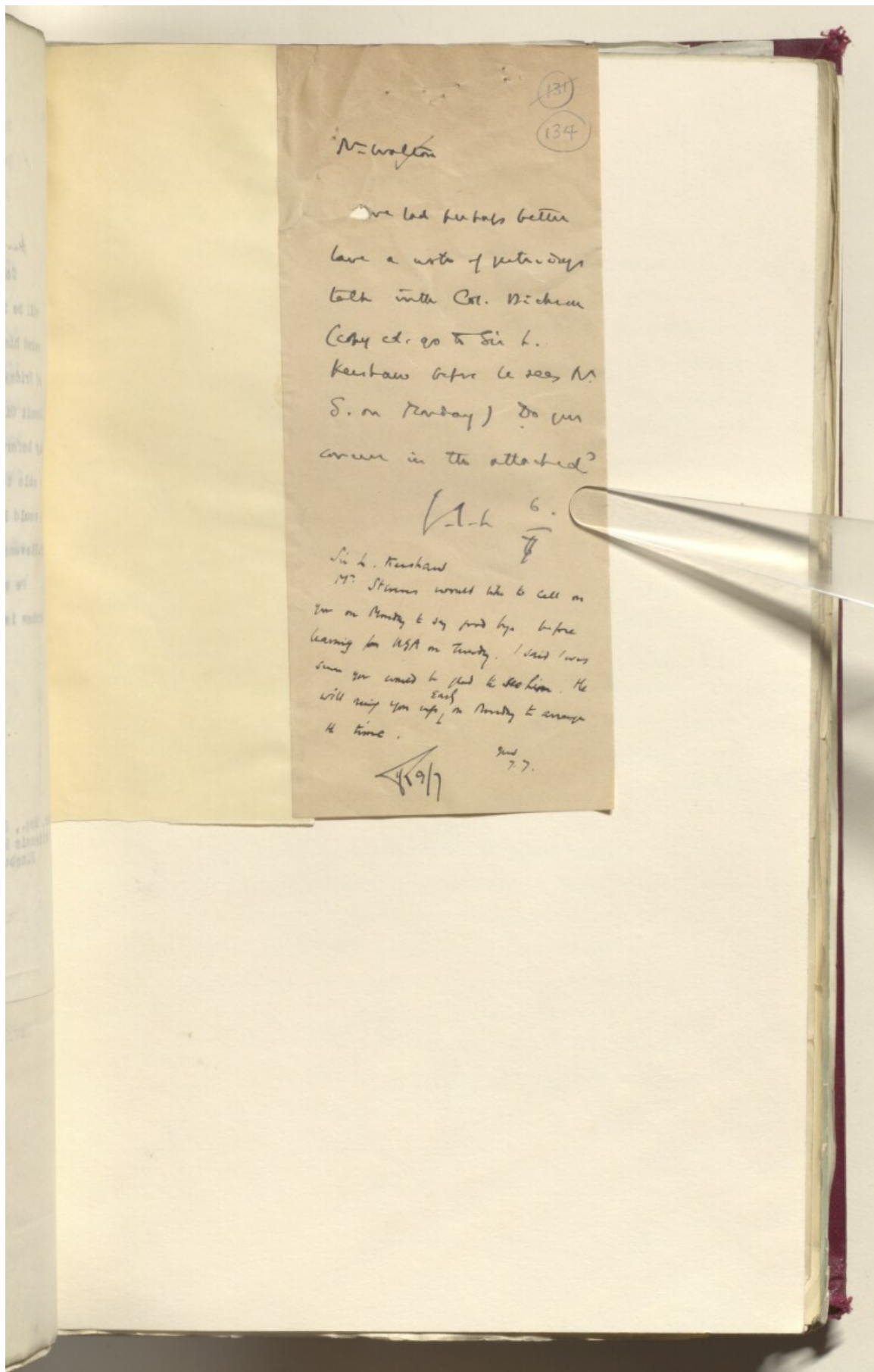
Colonel Dickson, the Political Agent, Koweit, will be in London at the end of this week. We have asked him to come to the India Office on the morning of Friday, 6th July, to meet representatives of the Kuwait Oil Company, this being, I understand, the last day before Mr. Stevens sails for America. Would you be able to come at 11 o'clock, or if you cannot manage it would Mr. Hearn or Mr. Lefroy come? I have asked Mr. Stevens for that hour.

We will meet in my room at the office as Sir Louis Kershaw is away on leave this week.

(Sd.) J. C. WALTON.

W. Fraser, Esq., C.B.E.,
Britannic House,
Finsbury Circus,
E.C.2.





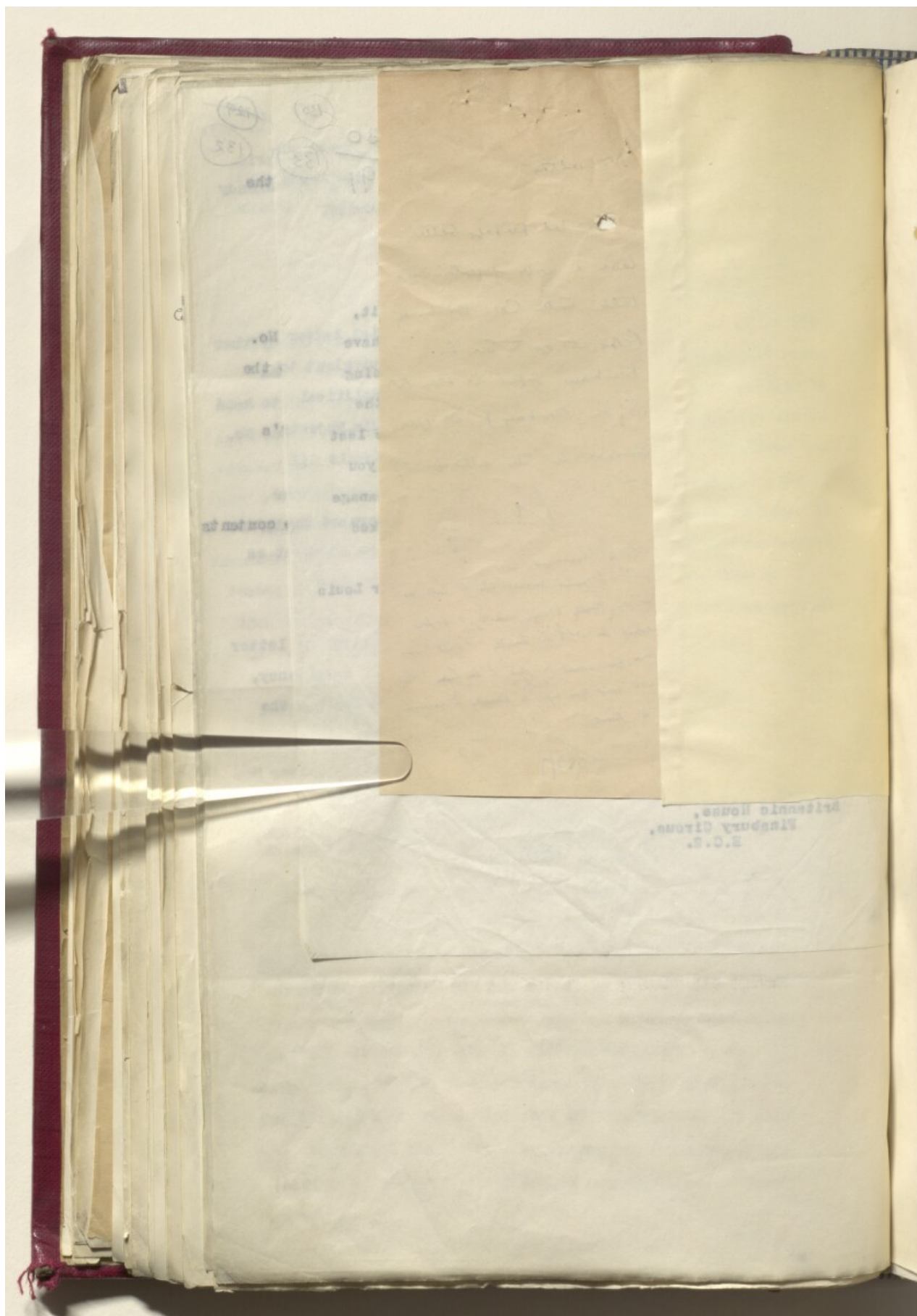
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134
Mr. Nicholas
We had perhaps better
have a note of yesterday's
talk with Col. Nicholas
(Chap. ed. go to Sir L.
Kerchaw before he sees Mr.
S. on Monday) Do you
concur in the attached?

A. L. 6.

Sir L. Kerchaw
Mr. Skinner would like to call on
you on Monday to say good bye before
leaving for USA on Tuesday. I said I was
sure you would be glad to see him. He
will ring you up ^{early} on Monday to arrange
the time.

19/7

and
77.





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KOWEIT OIL.

The general position was discussed today with Colonel Dickson; Mr. Walton, Mr. Laithwaite, Mr. Stevens, Mr. Fraser, Mr. Lefroy and Mr. Hearn being present. Colonel Dickson answered questions put by representatives of the Company and gave his impressions of the Sheikh's attitude and the atmosphere of Koweit. The main points which emerged, after considerable discussion, were:

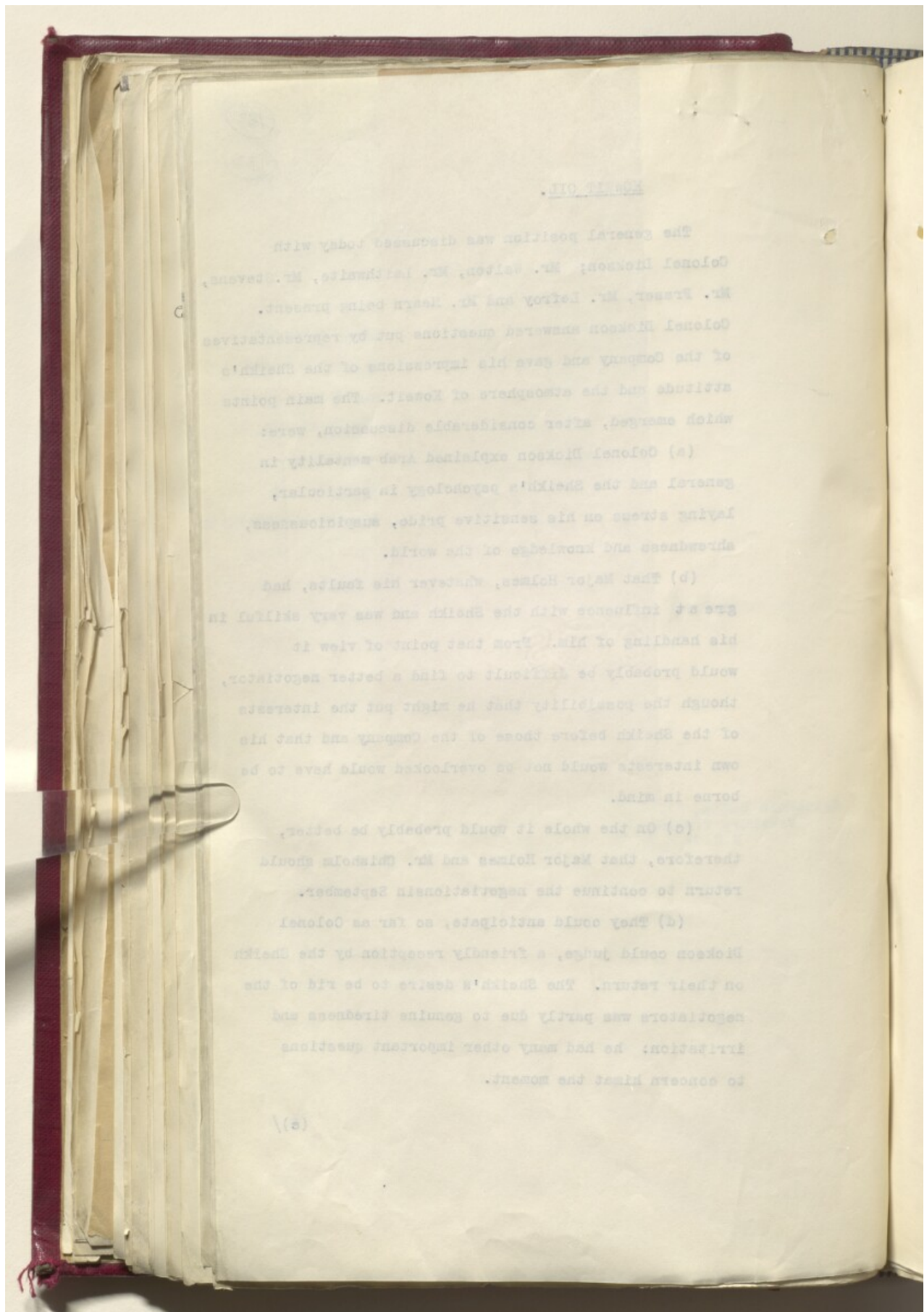
(a) Colonel Dickson explained Arab mentality in general and the Sheikh's psychology in particular, laying stress on his sensitive pride, suspiciousness, shrewdness and knowledge of the world.

(b) That Major Holmes, whatever his faults, had great influence with the Sheikh and was very skilful in his handling of him. From that point of view it would probably be difficult to find a better negotiator, though the possibility that he might put the interests of the Sheikh before those of the Company and that his own interests would not be overlooked would have to be borne in mind.

(c) On the whole it would probably be better, therefore, that Major Holmes and Mr. Chisholm should return to continue the negotiations in September.

(d) They could anticipate, so far as Colonel Dickson could judge, a friendly reception by the Sheikh on their return. The Sheikh's desire to be rid of the negotiators was partly due to genuine tiredness and irritation: he had many other important questions to concern him at the moment.

(e)/





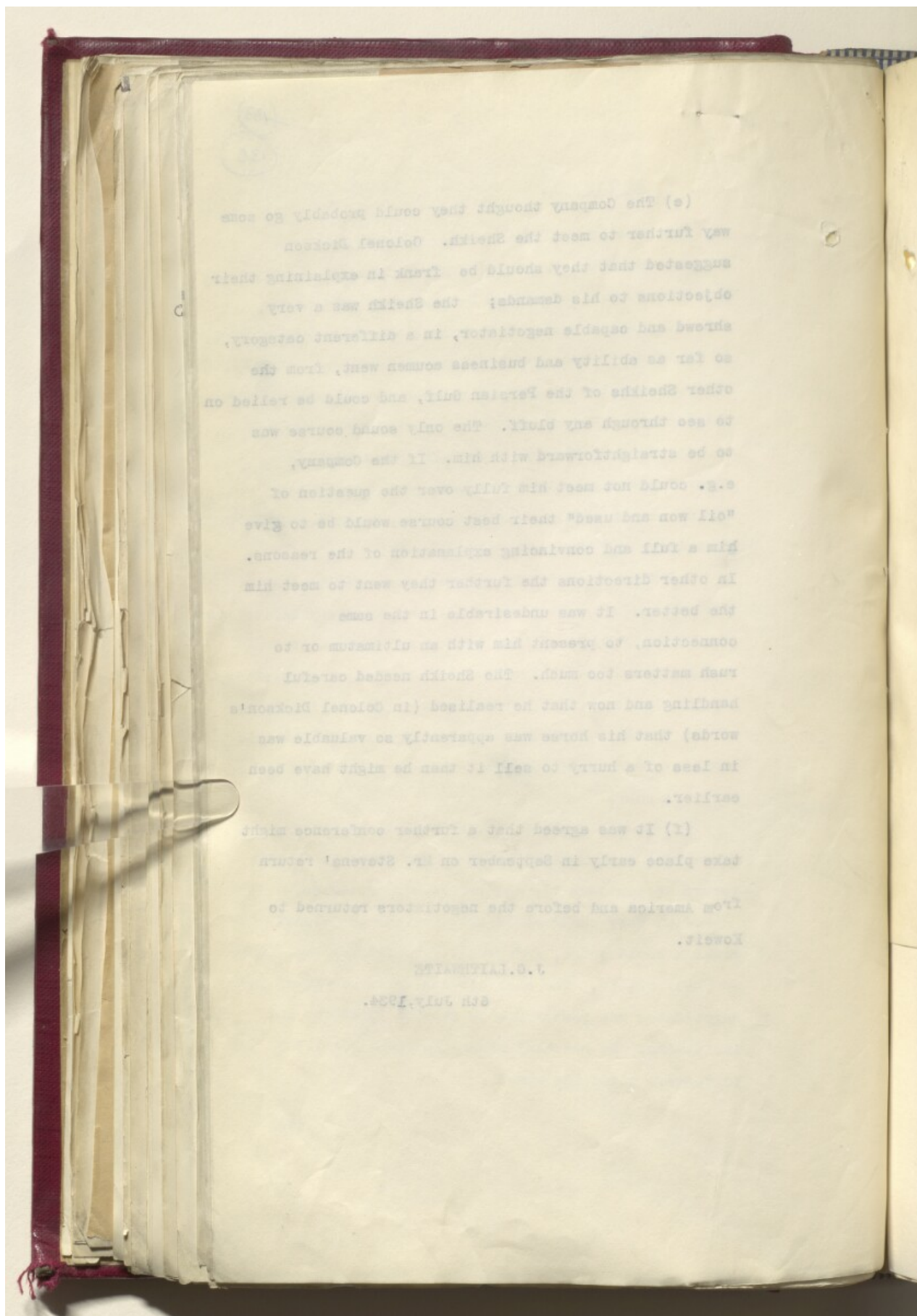
(133)
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(e) The Company thought they could probably go some way further to meet the Sheikh. Colonel Dickson suggested that they should be frank in explaining their objections to his demands; the Sheikh was a very shrewd and capable negotiator, in a different category, so far as ability and business acumen went, from the other Sheikhs of the Persian Gulf, and could be relied on to see through any bluff. The only sound course was to be straightforward with him. If the Company, e.g. could not meet him fully over the question of "oil won and used" their best course would be to give him a full and convincing explanation of the reasons. In other directions the further they went to meet him the better. It was undesirable in the same connection, to present him with an ultimatum or to rush matters too much. The Sheikh needed careful handling and now that he realised (in Colonel Dickson's words) that his horse was apparently so valuable was in less of a hurry to sell it than he might have been earlier.

(f) It was agreed that a further conference might take place early in September on Mr. Stevens' return from America and before the negotiators returned to Koweit.

J.G.LAITHWAITE

6th July, 1934.





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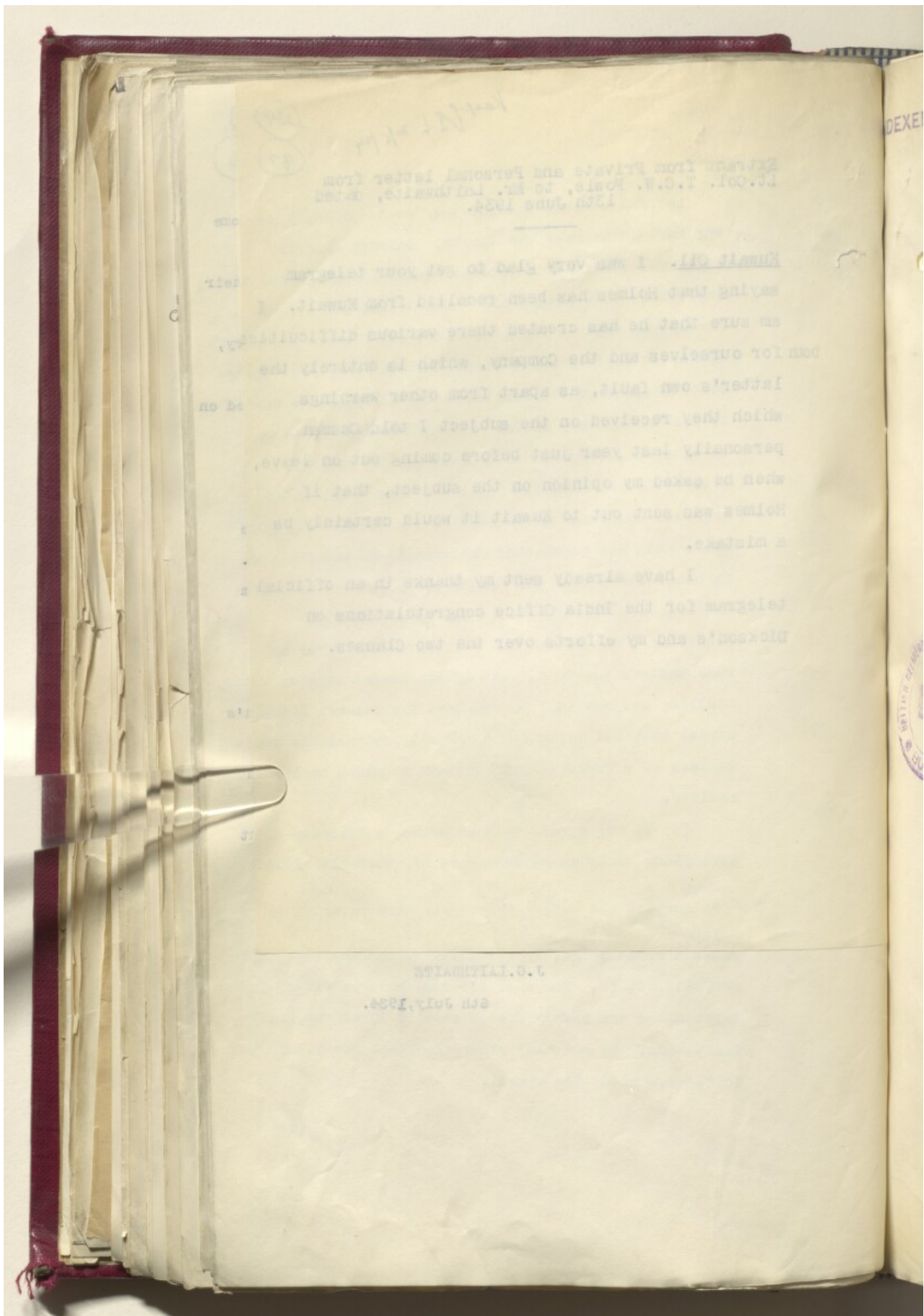
(134)

(137)

Extract from Private and Personal letter from
Lt.Col. T.C.W. Fowle, to Mr. Laithwaite, dated
13th June 1934.

Kuwait Oil. I was very glad to get your telegram saying that Holmes has been recalled from Kuwait. I am sure that he has created there various difficulties both for ourselves and the Company, which is entirely the latter's own fault, as apart from other warnings which they received on the subject I told Cadman personally last year just before coming out on leave, when he asked my opinion on the subject, that if Holmes was sent out to Kuwait it would certainly be a mistake.

I have already sent my thanks in an official telegram for the India Office congratulations on Dickson's and my efforts over the two Clauses.





CONFIDENTIAL.

DEXED

No. 534-S of 1934.

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The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. His Majesty's Secretary of State for India, London.
2. The Foreign Secretary to the Government of India, Simla.

and has the honour to transmit to him a copy of the undermentioned document (6/1)

British Consulate-General,
BUSHIRE.

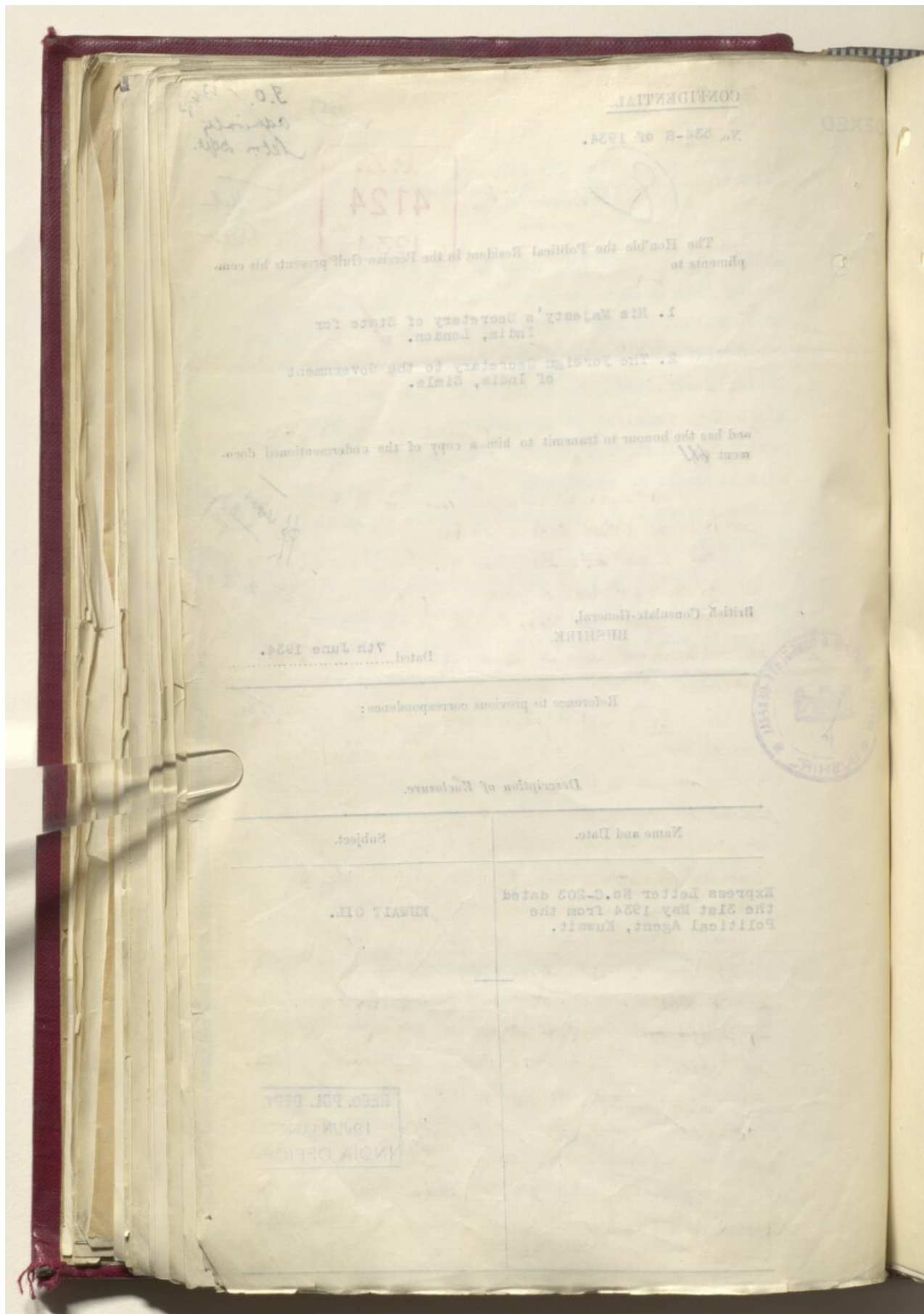
Dated 7th June 1934.

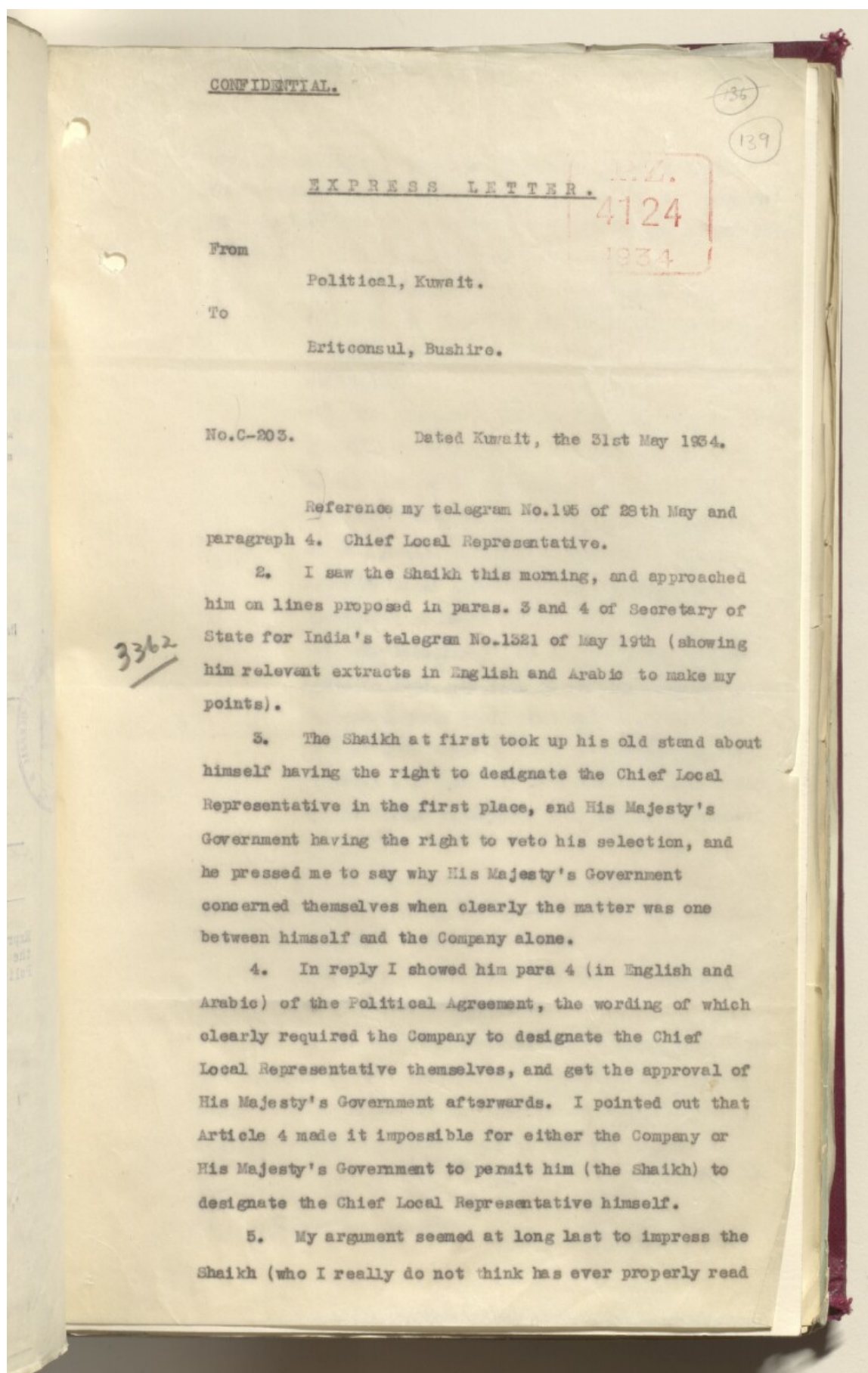
Reference to previous correspondence:

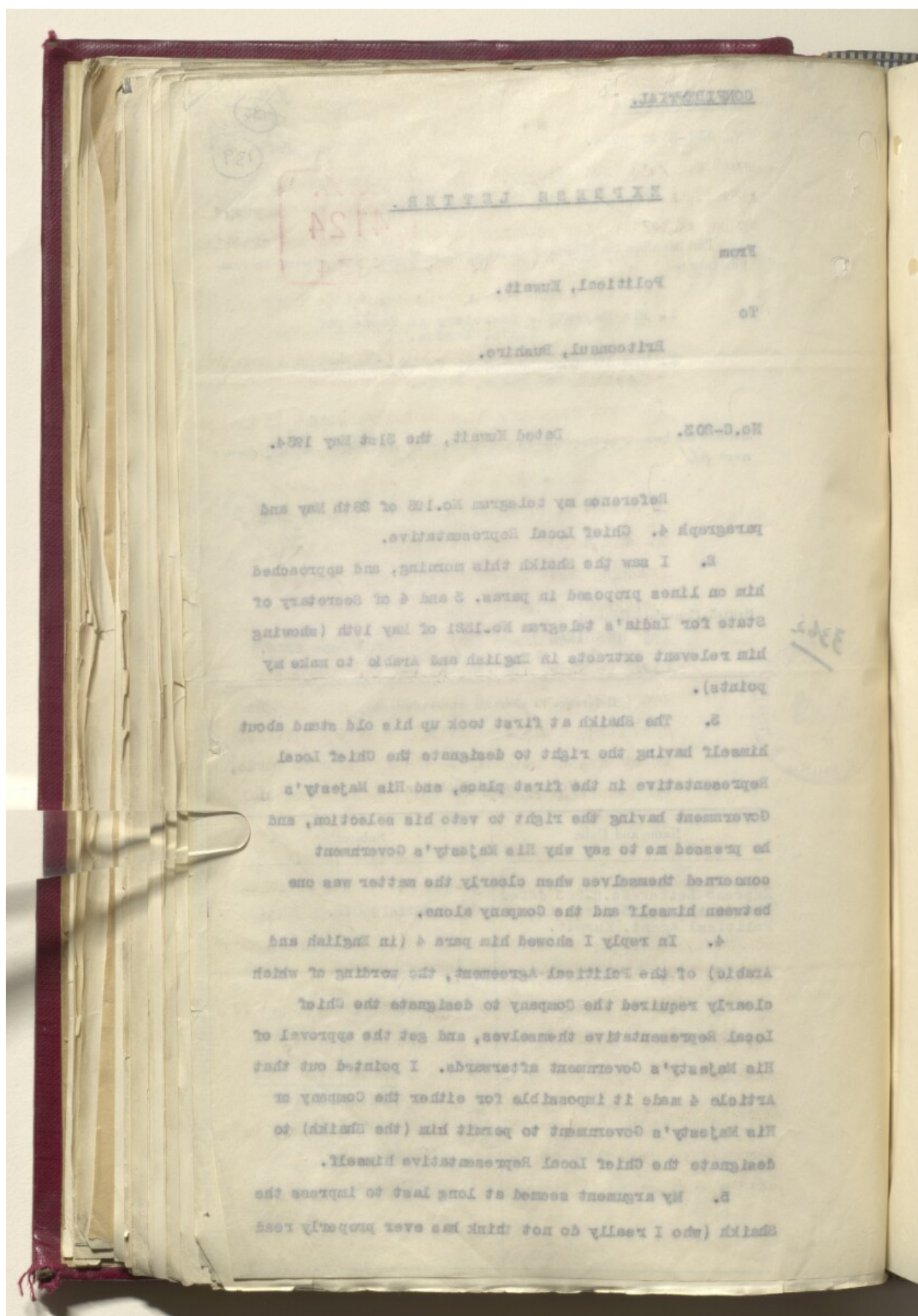
Description of Enclosure.

Name and Date.	Subject.
Express Letter No.C-203 dated the 31st May 1934 from the Political Agent, Kuwait.	KUWAIT OIL.

REC'D. POL. DEPT.
19 JUN 1934
INDIA OFFICE









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read the Political Agreement) for after some further arguments he proposed the following "formula" or "doorway" as he called it, for settling the matter to the satisfaction of His Majesty's Government and the Company:

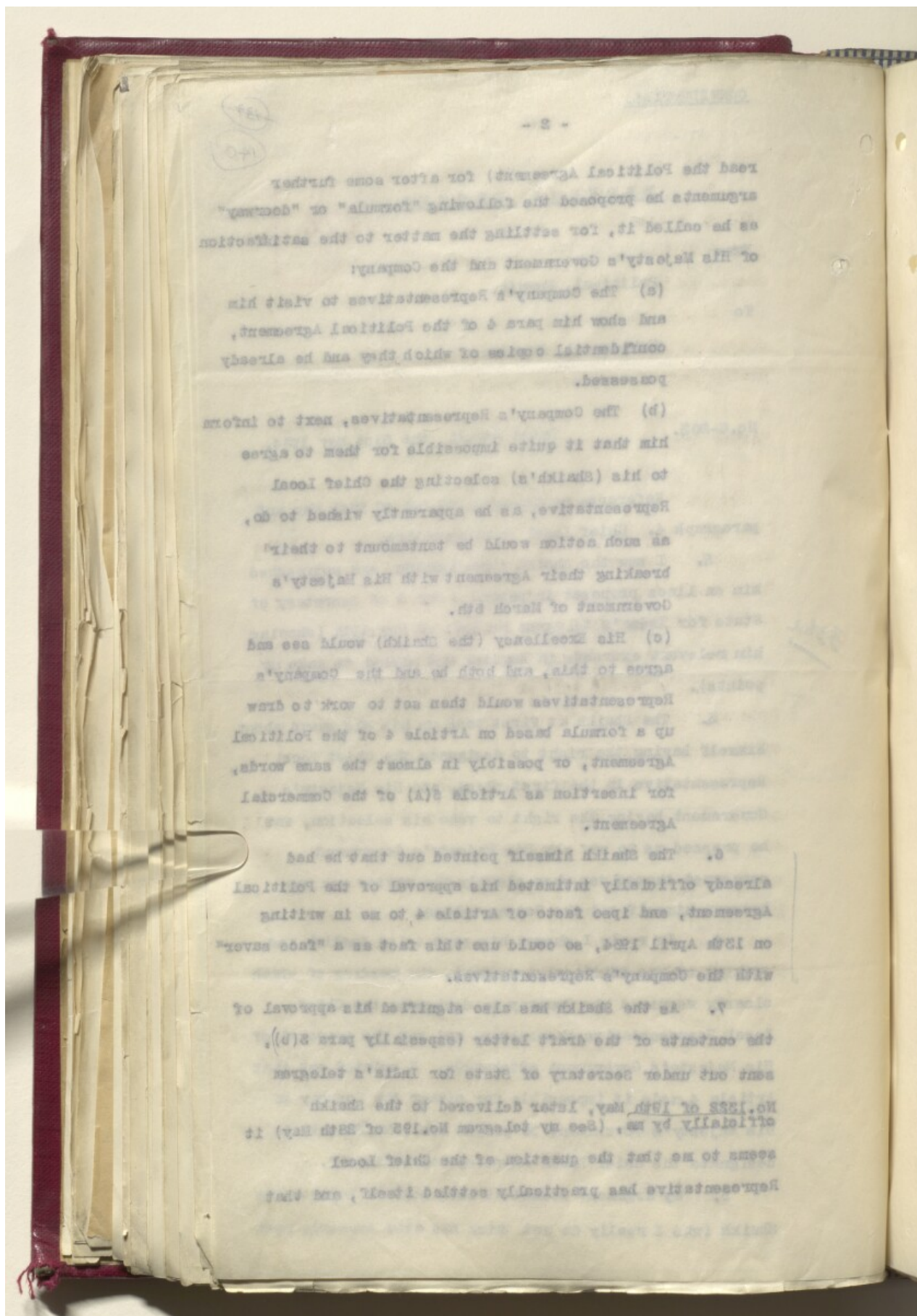
(a) The Company's Representatives to visit him and show him para 4 of the Political Agreement, confidential copies of which they and he already possessed.

(b) The Company's Representatives, next to inform him that it quite impossible for them to agree to his (Shaikh's) selecting the Chief Local Representative, as he apparently wished to do, as such action would be tantamount to their breaking their Agreement with His Majesty's Government of March 5th.

(c) His Excellency (the Shaikh) would see and agree to this, and both he and the Company's Representatives would then set to work to draw up a formula based on Article 4 of the Political Agreement, or possibly in almost the same words, for insertion as Article 6(A) of the Commercial Agreement.

6. The Shaikh himself pointed out that he had already officially intimated his approval of the Political Agreement, and ipso facto of Article 4, to me in writing on 15th April 1934, so could use this fact as a "face saver" with the Company's Representatives.

7. As the Shaikh has also signified his approval of the contents of the draft letter (especially para 3(b)), sent out under Secretary of State for India's telegram No.1322 of 19th May, later delivered to the Shaikh officially by me, (See my telegram No.195 of 28th May) it seems to me that the question of the Chief Local Representative has practically settled itself, and that





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and that the Shaikh also now appreciates this.

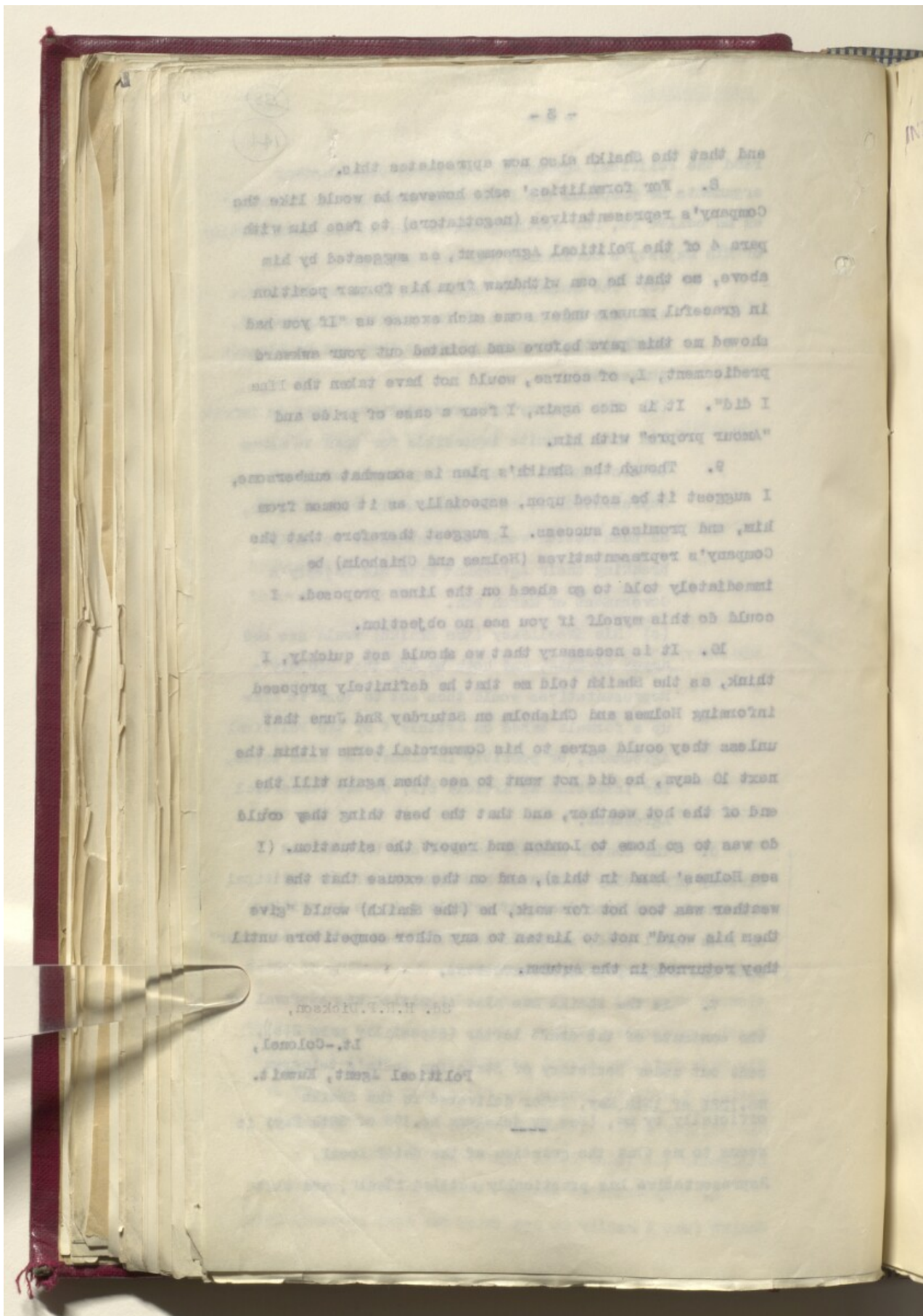
8. For formalities' sake however he would like the Company's representatives (negotiators) to face him with para 4 of the Political Agreement, as suggested by him above, so that he can withdraw from his former position in graceful manner under some such excuse as "If you had showed me this para before and pointed out your awkward predicament, I, of course, would not have taken the line I did". It is once again, I fear a case of pride and "Amour propre" with him.

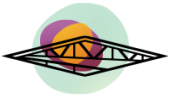
9. Though the Shaikh's plan is somewhat cumbersome, I suggest it be acted upon, especially as it comes from him, and promises success. I suggest therefore that the Company's representatives (Holmes and Chisholm) be immediately told to go ahead on the lines proposed. I could do this myself if you see no objection.

10. It is necessary that we should act quickly, I think, as the Shaikh told me that he definitely proposed informing Holmes and Chisholm on Saturday 2nd June that unless they could agree to his Commercial terms within the next 10 days, he did not want to see them again till the end of the hot weather, and that the best thing they could do was to go home to London and report the situation. (I see Holmes' hand in this), and on the excuse that the weather was too hot for work, he (the Shaikh) would "give them his word" not to listen to any other competitors until they returned in the Autumn.

Sd. H.R.P. Dickson,

Lt.-Colonel,
Political Agent, Kuwait.





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DECYPHER OF TELEGRAM.

(COPIES CIRCULATED)

From Political Resident in the Persian Gulf to Secretary of State for India.

Dated Bushire, 20th June, 1934.

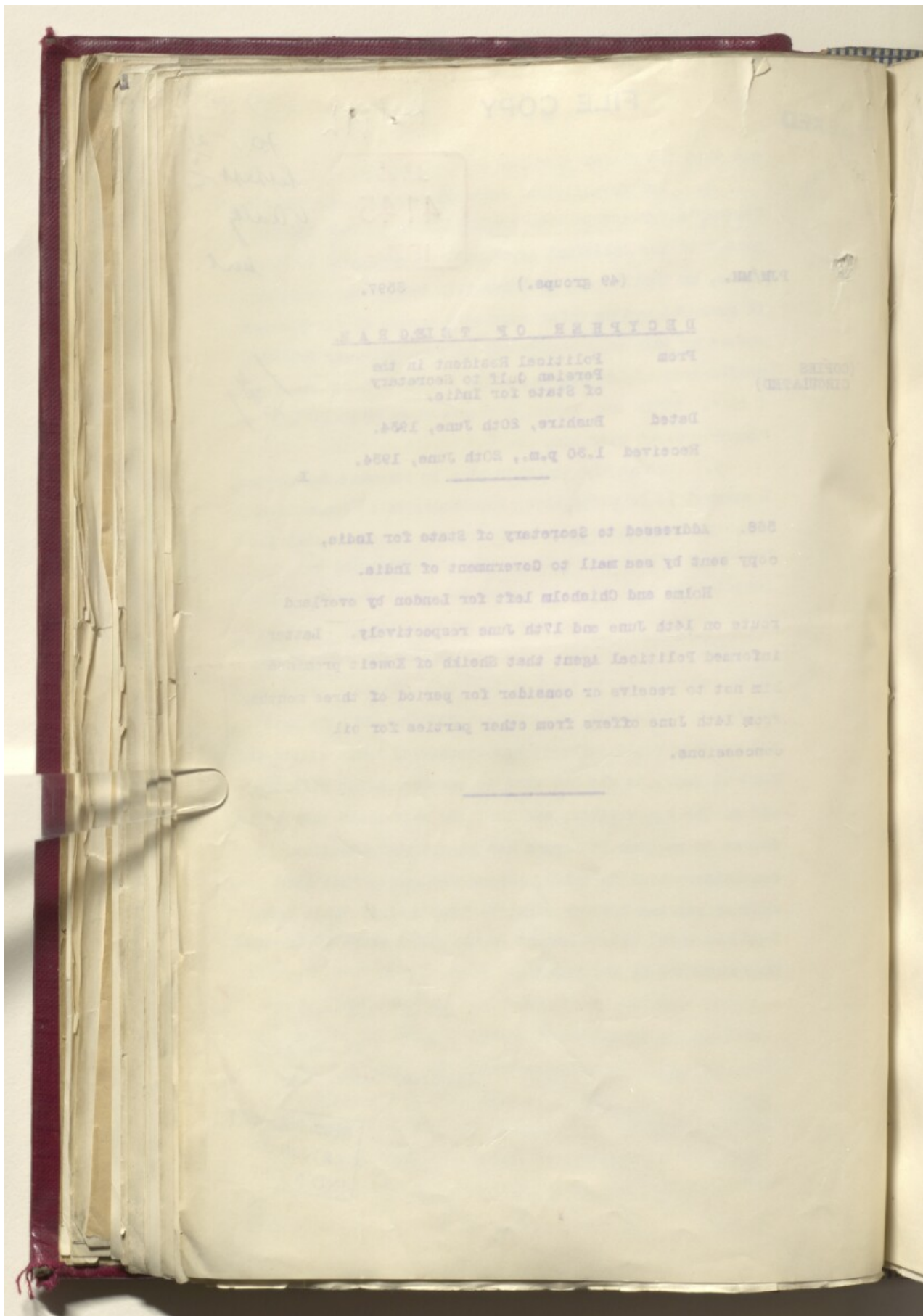
Received 1.30 p.m., 20th June, 1934.

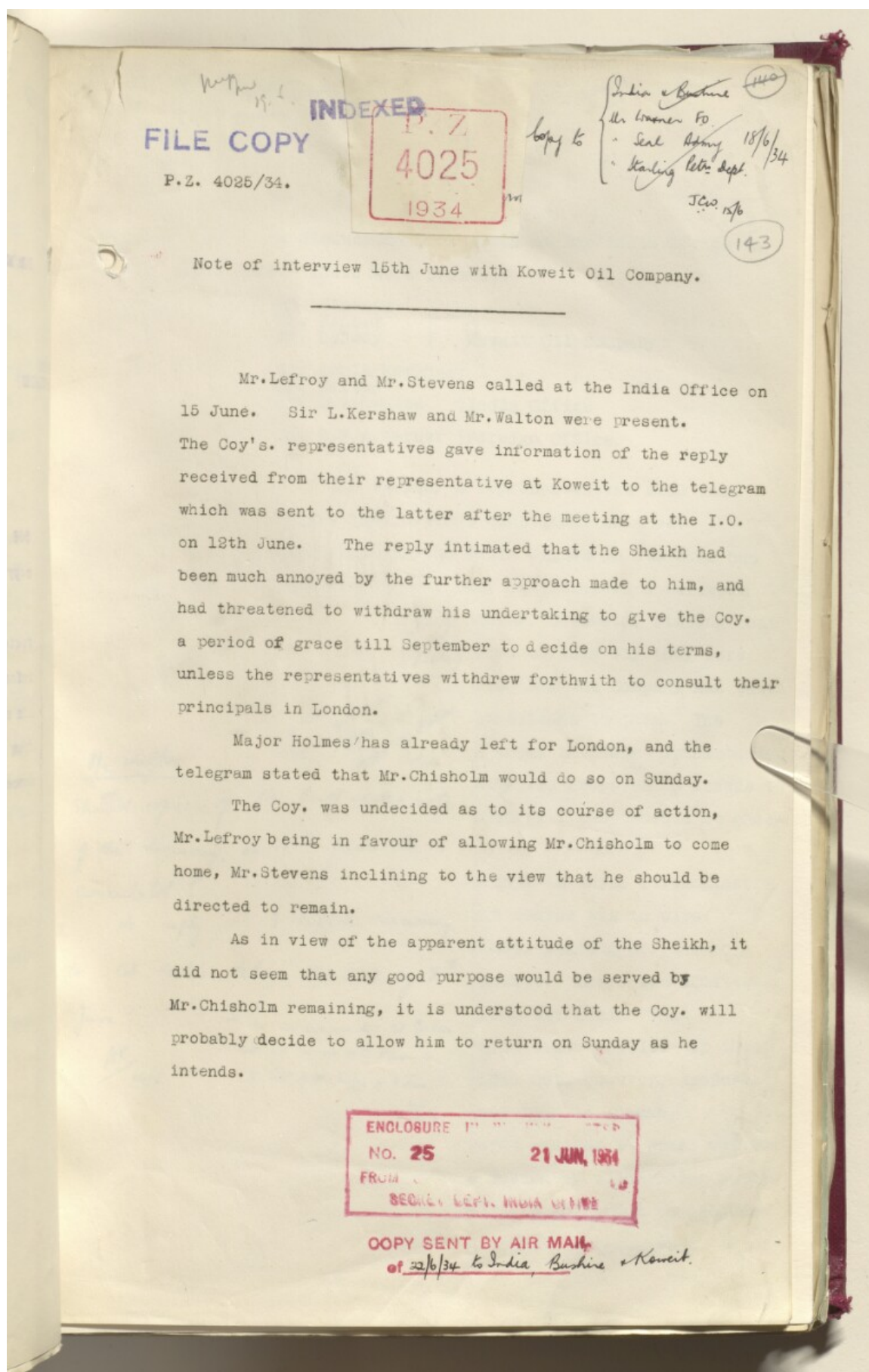
X

568. Addressed to Secretary of State for India, copy sent by sea mail to Government of India.

Holme and Chisholm left for London by overland route on 14th June and 17th June respectively. Letter informed Political Agent that Sheikh of Koweit promised him not to receive or consider for period of three months from 14th June offers from other parties for oil concessions.

REGD. POL. DEPT.
21 JUN 1934
INDIA OFFICE





FILE COPY

P.Z. 4025/34.

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1934

copy to

India & Bushire
Mr. Lefroy to
- Sent Adm. 18/6/34
- Harding Lett. Dept.

J.C. 15/6

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Note of interview 15th June with Koweit Oil Company.

Mr. Lefroy and Mr. Stevens called at the India Office on 15 June. Sir L. Kershaw and Mr. Walton were present. The Coy's. representatives gave information of the reply received from their representative at Koweit to the telegram which was sent to the latter after the meeting at the I.O. on 12th June. The reply intimated that the Sheikh had been much annoyed by the further approach made to him, and had threatened to withdraw his undertaking to give the Coy. a period of grace till September to decide on his terms, unless the representatives withdrew forthwith to consult their principals in London.

Major Holmes has already left for London, and the telegram stated that Mr. Chisholm would do so on Sunday.

The Coy. was undecided as to its course of action, Mr. Lefroy being in favour of allowing Mr. Chisholm to come home, Mr. Stevens inclining to the view that he should be directed to remain.

As in view of the apparent attitude of the Sheikh, it did not seem that any good purpose would be served by Mr. Chisholm remaining, it is understood that the Coy. will probably decide to allow him to return on Sunday as he intends.

ENCLOSURE

NO. 25

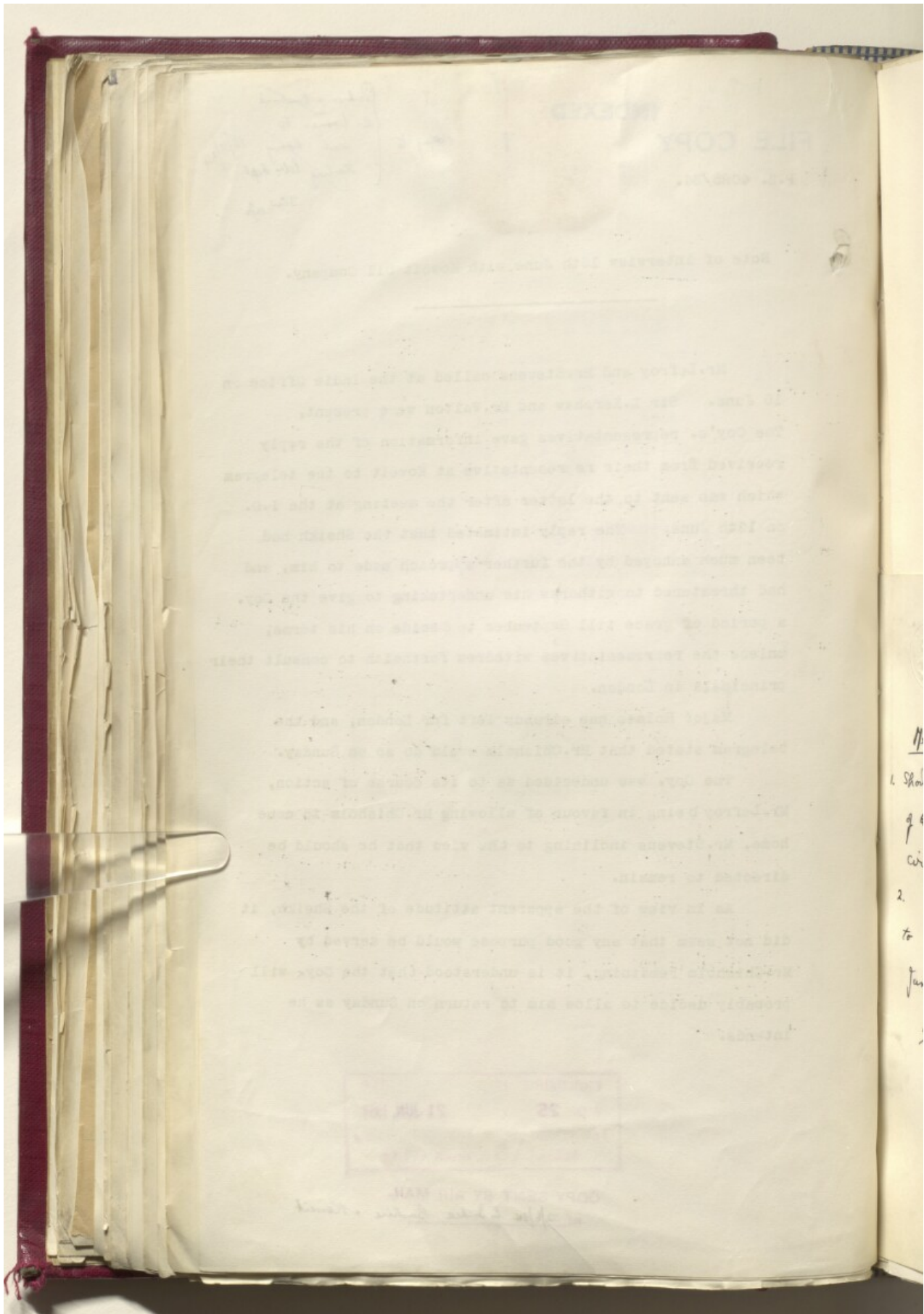
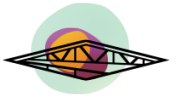
21 JUN, 1934

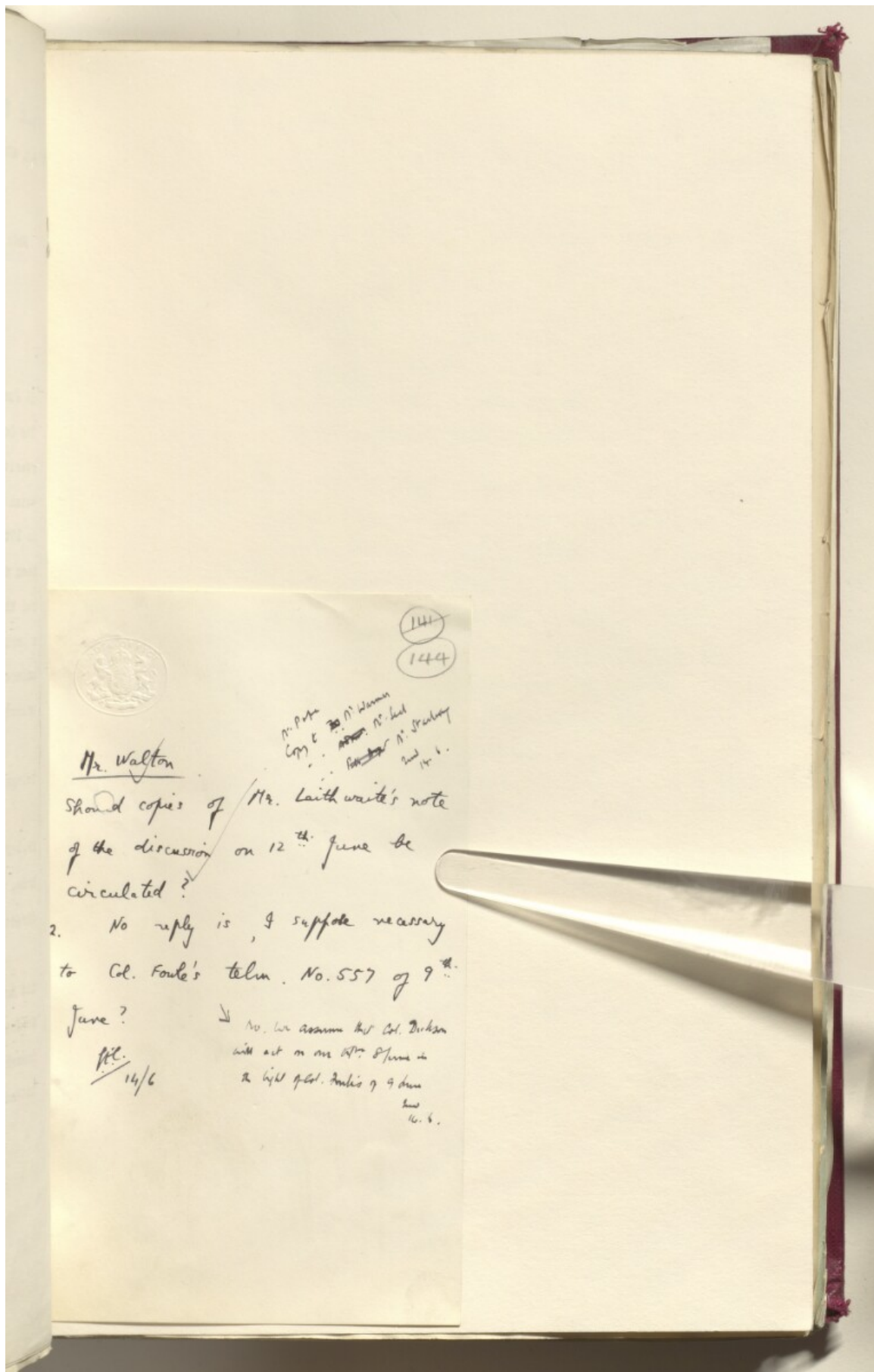
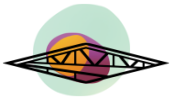
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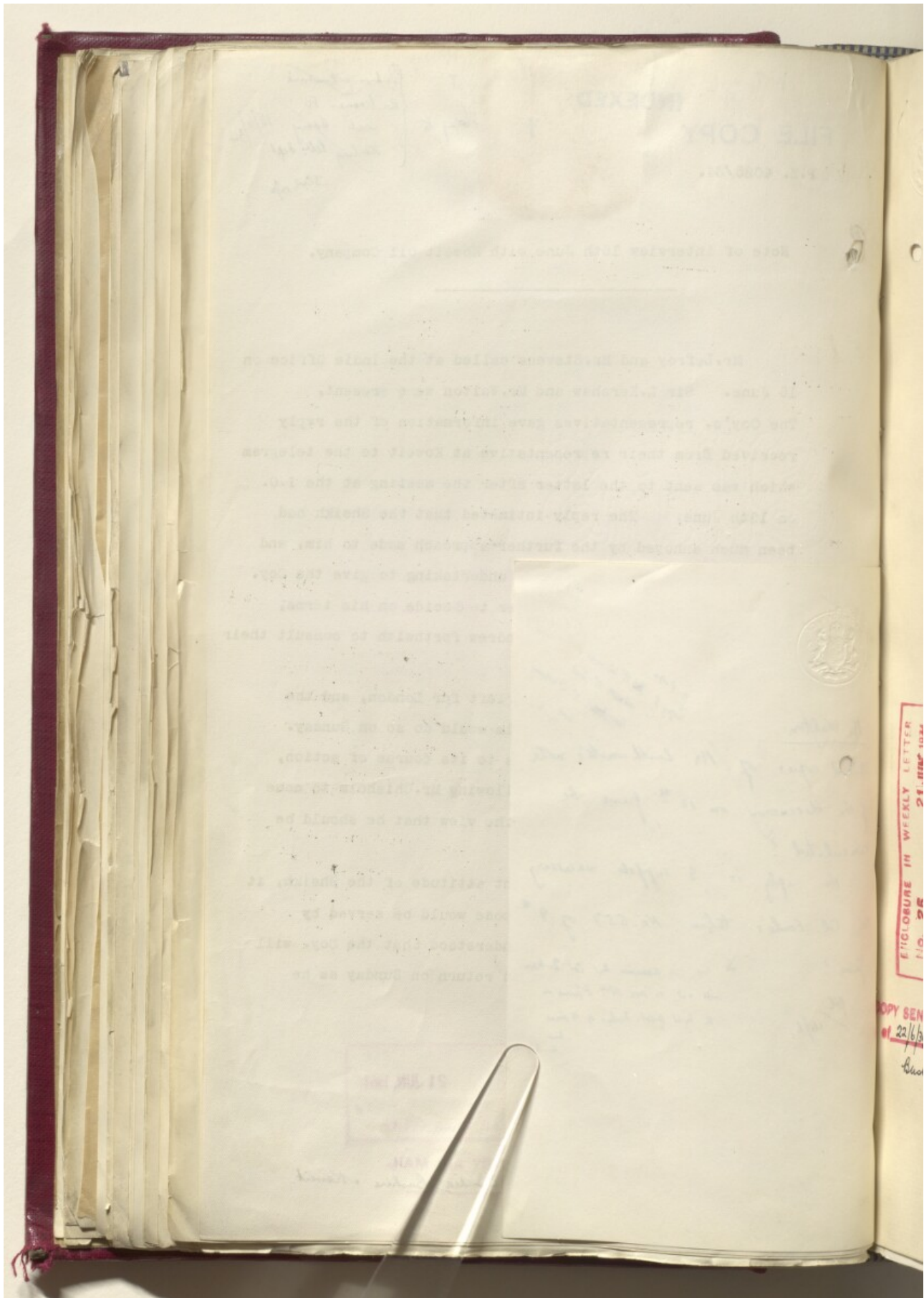
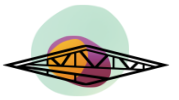
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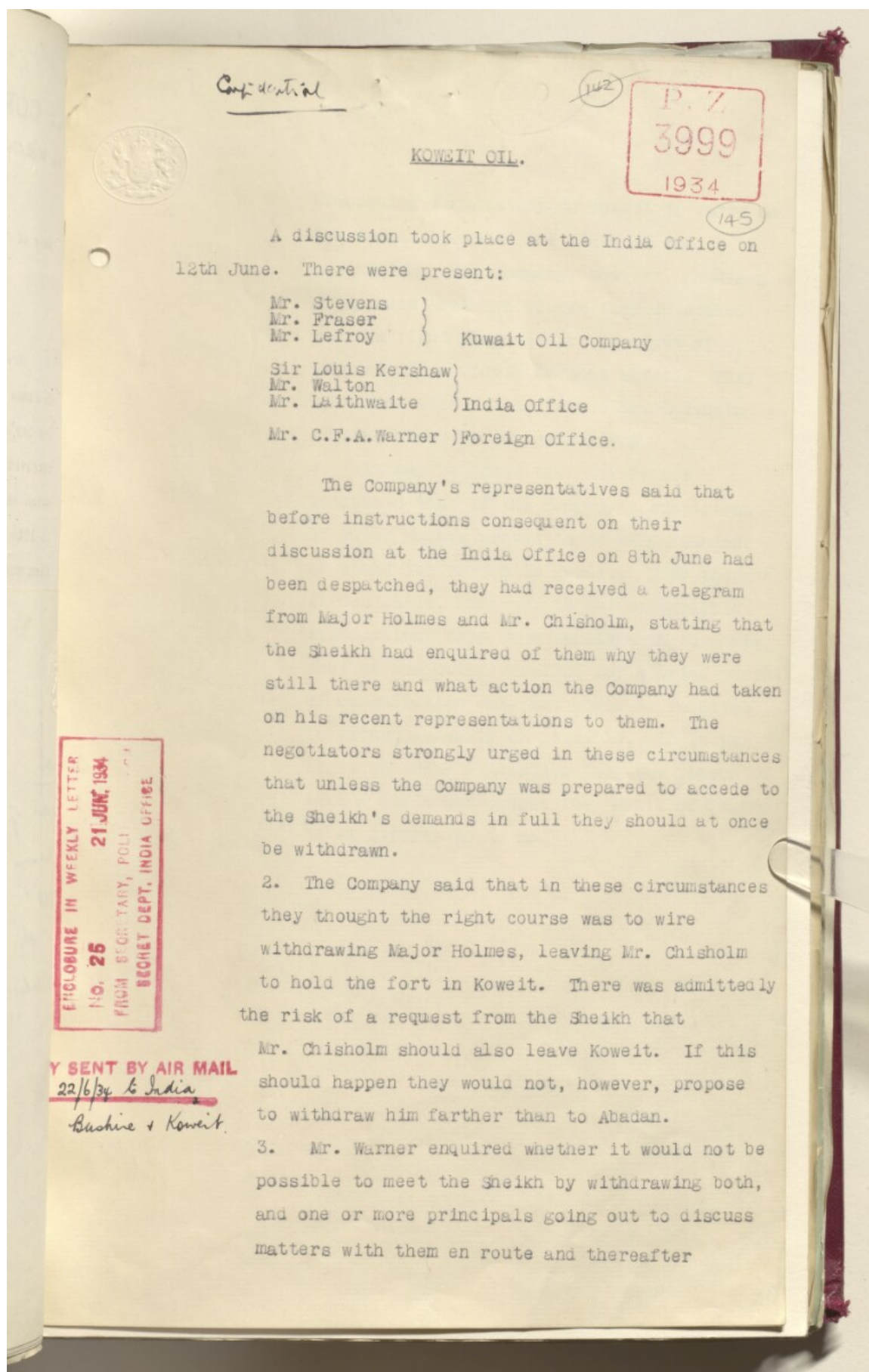
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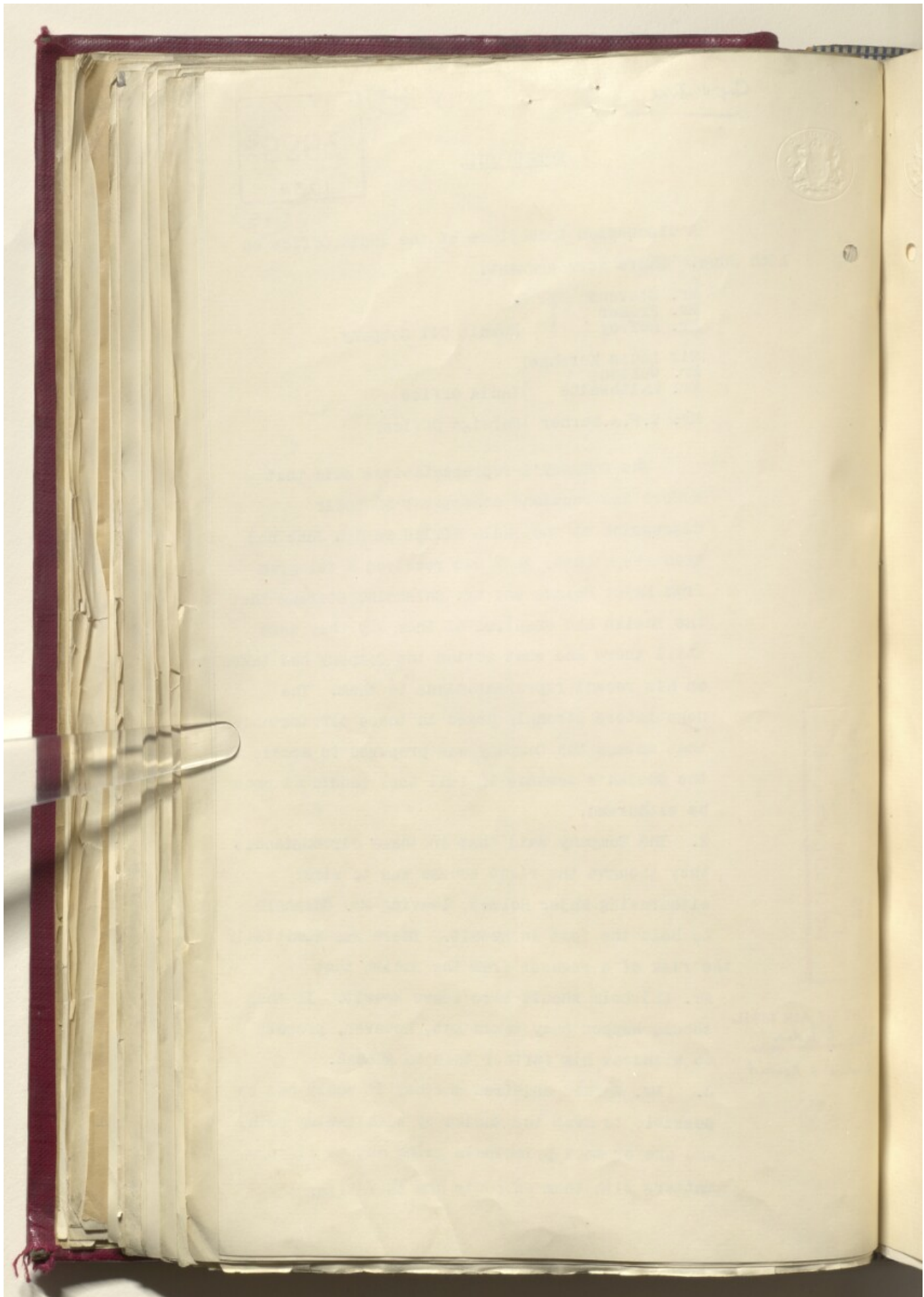
of 22/6/34 to India, Bushire & Koweit.

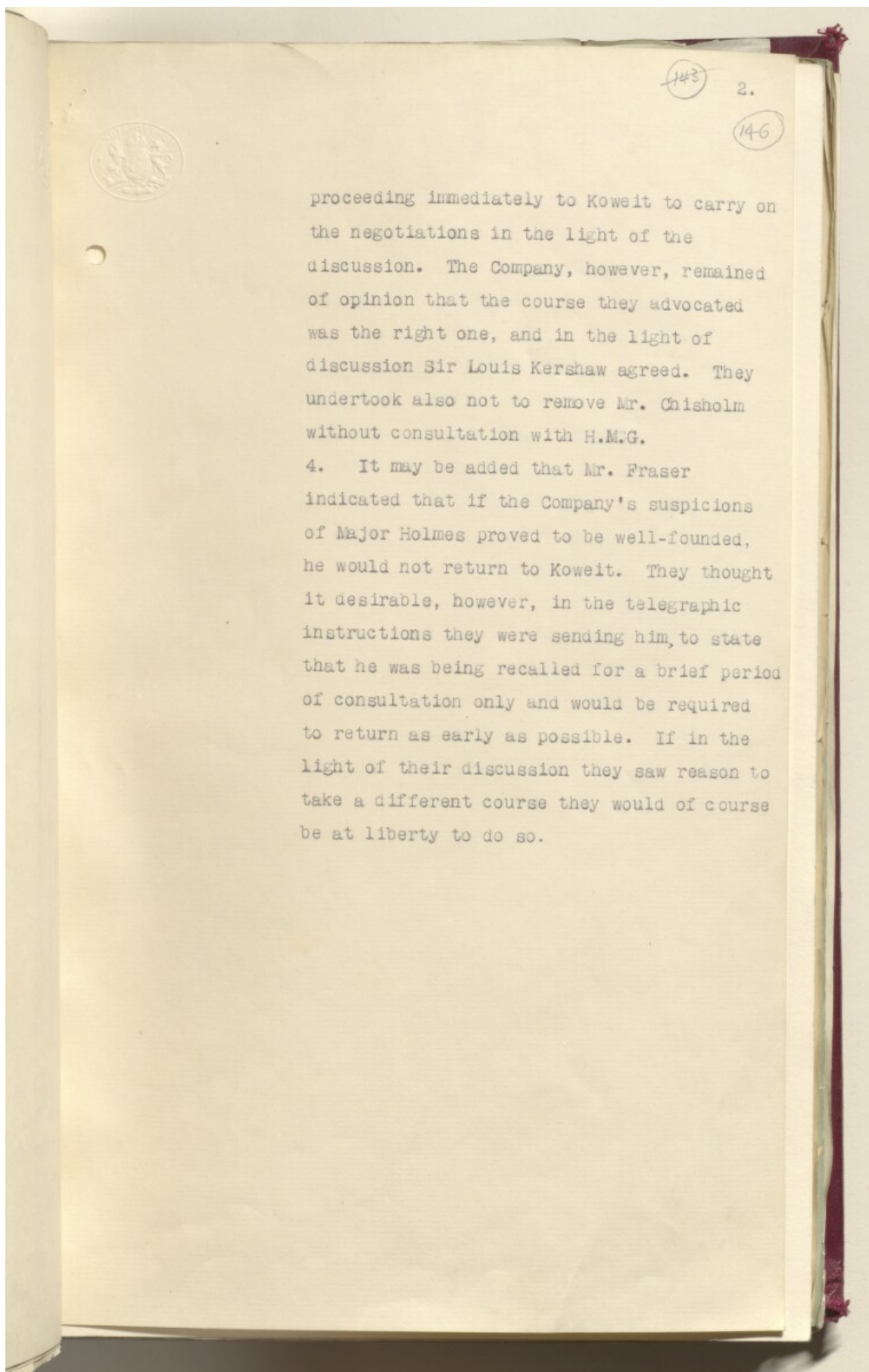






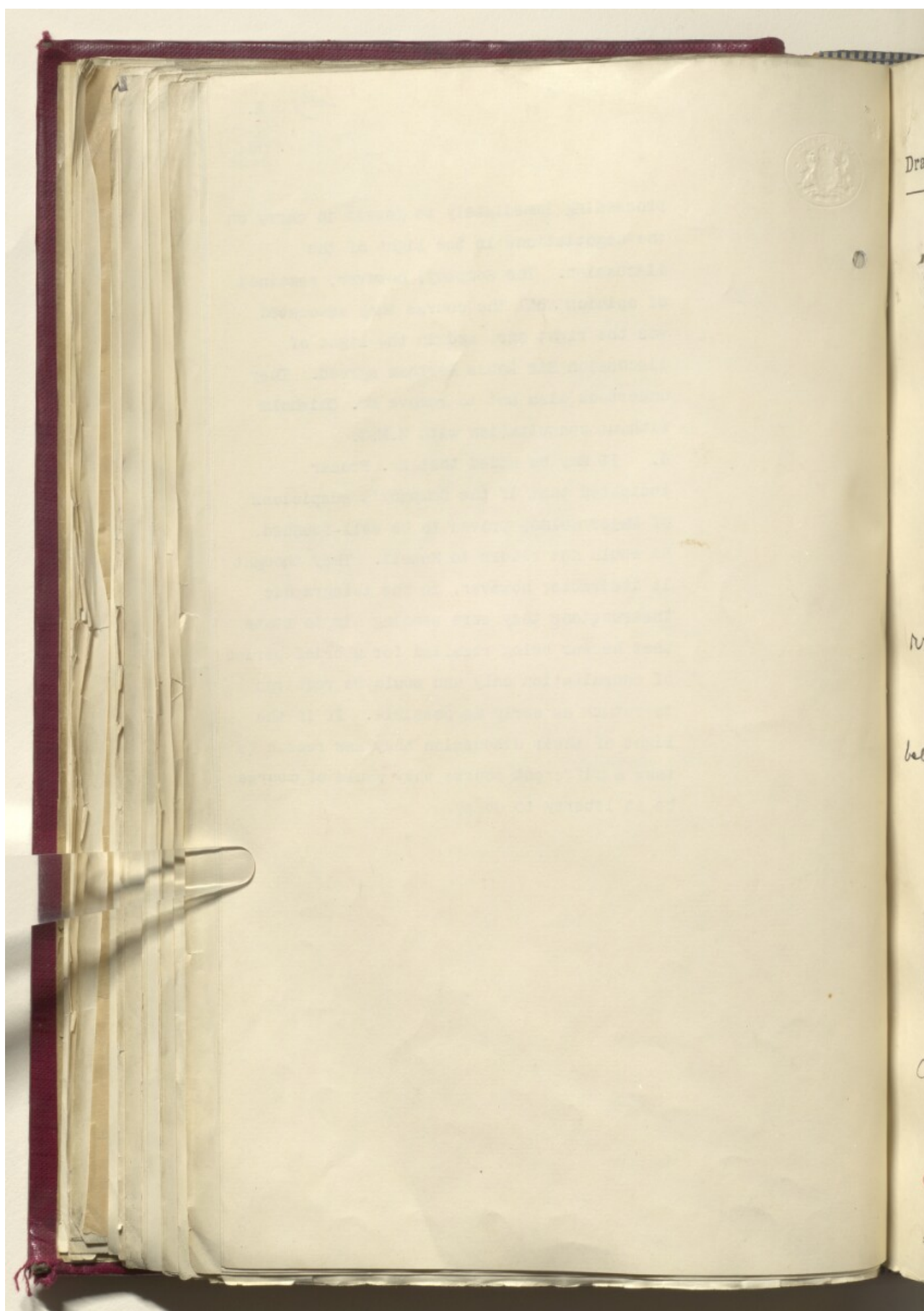


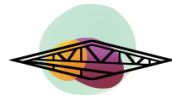




proceeding immediately to Koweit to carry on the negotiations in the light of the discussion. The Company, however, remained of opinion that the course they advocated was the right one, and in the light of discussion Sir Louis Kershaw agreed. They undertook also not to remove Mr. Chisholm without consultation with H.M.G.

4. It may be added that Mr. Fraser indicated that if the Company's suspicions of Major Holmes proved to be well-founded, he would not return to Koweit. They thought it desirable, however, in the telegraphic instructions they were sending him, to state that he was being recalled for a brief period of consultation only and would be required to return as early as possible. If in the light of their discussion they saw reason to take a different course they would of course be at liberty to do so.





Draft Paper.

P.2.3912/24

POLITICAL Department.

DRAFT TELEGRAM.

1530
Addressed To: Political Resident, Bushra No 1530
and up to P.A. Kuwait No 1531
Copy to arrival by air.

Copy to xxx

Important
Your telegram dated 7th June 1530
para 5 & 7 my letter of June 1506
557. Koweit Oil. Company have
decided to withdraw Holmes for
consultation in London, leaving
Chisholm in Koweit, from which
they will not remove him without
consultation with us. They appreciate
importance of keeping negotiations in
being.

Following a report from
company's representatives
of a further interview
with S. Smith

N. Walker

and 12.6

This might issue?

A note to the discussion today is
below.

P.A.L.

12-6-34

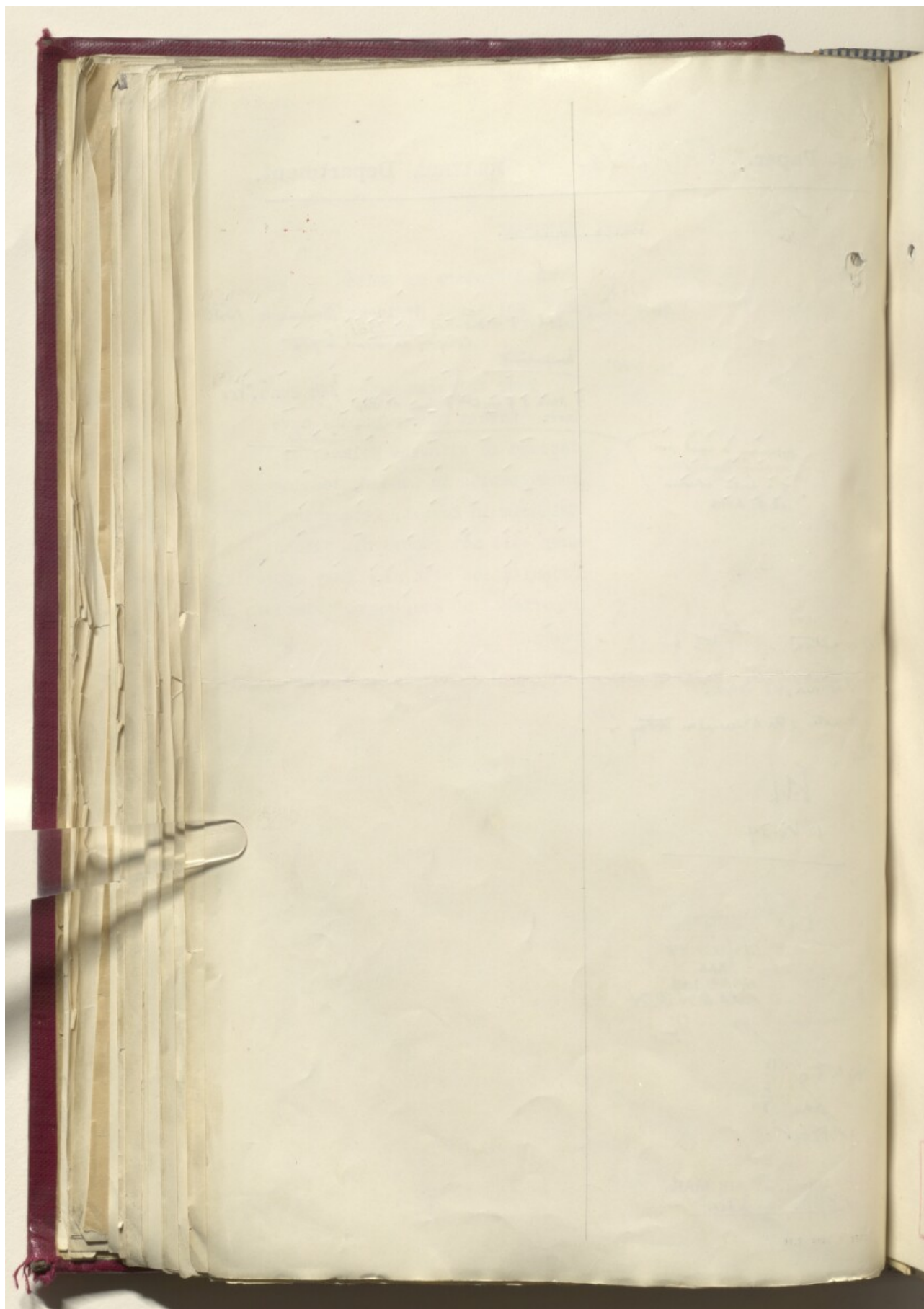
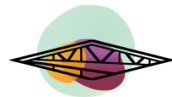
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RECD. IN TEL. BGM.	12/6/34	6.40 PM
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NO. OF WORDS	53	74
SENDER'S INITIALS		

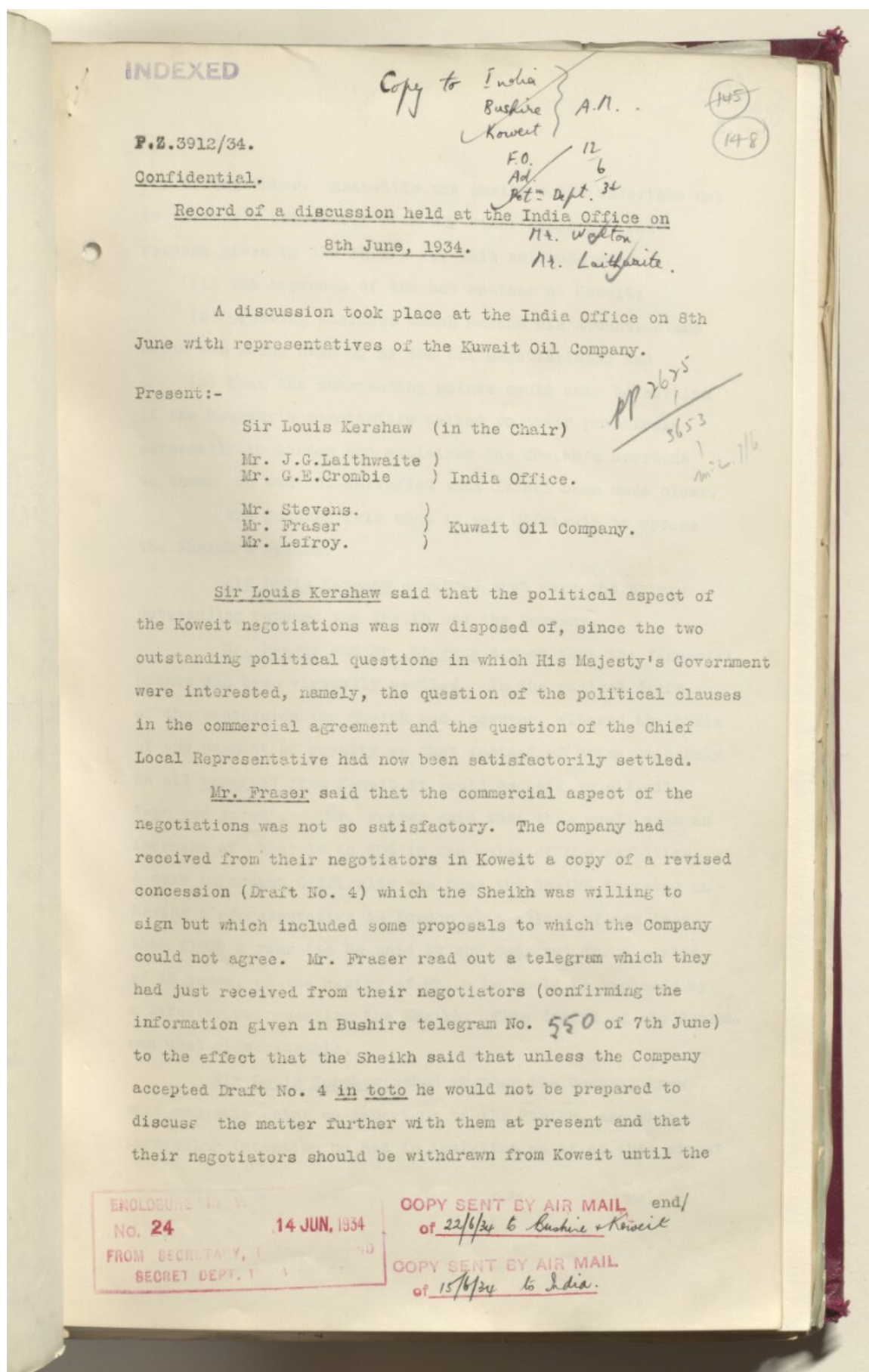
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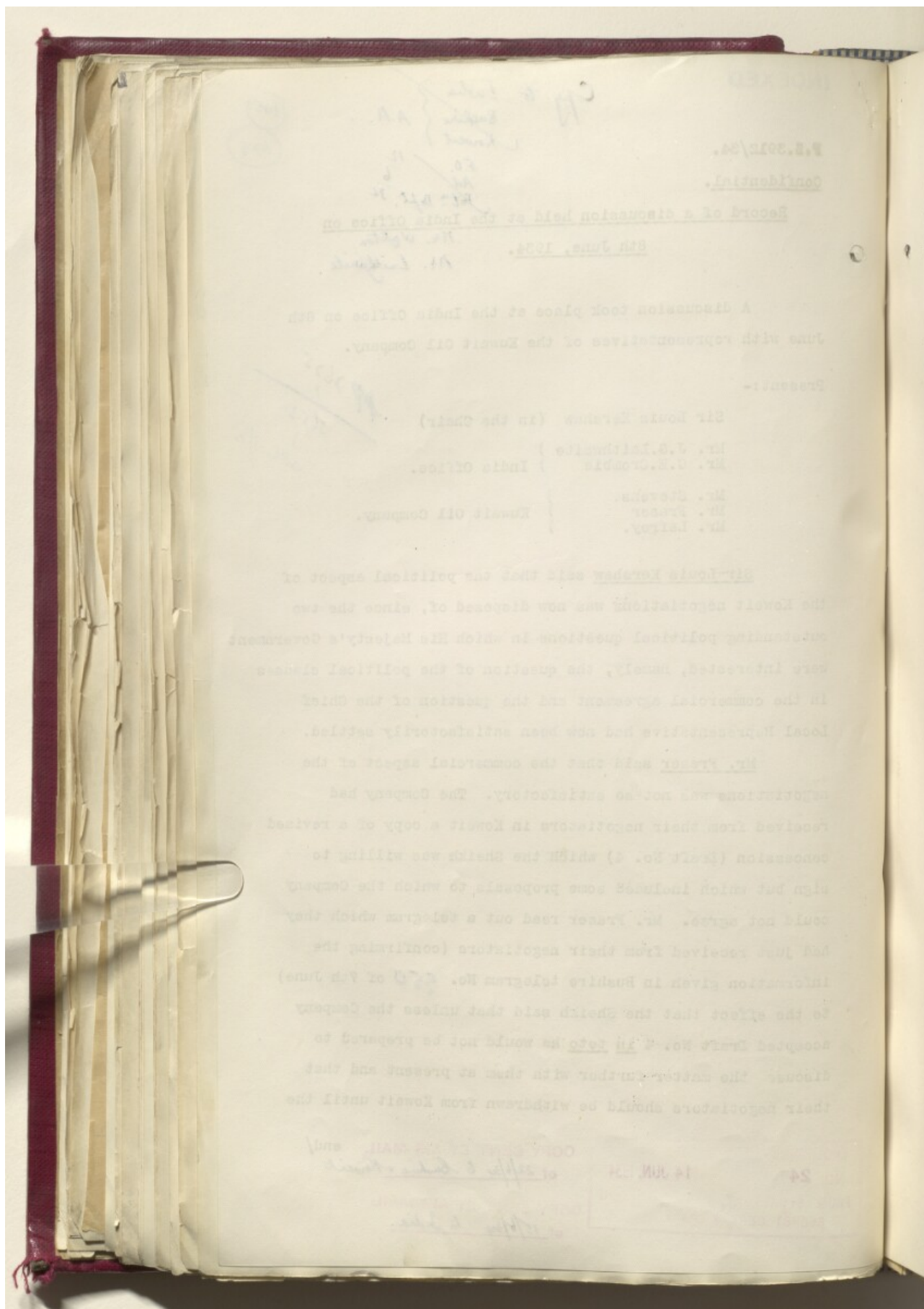
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of 15/6/34 to India.

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end of September. Meanwhile the Sheikh would undertake not to discuss a concession with any other Company. The reasons given by the Sheikh for this attitude were

- (1) the approach of the hot weather at Koweit;
- (2) pressing business which needed his attention and which was being held up by the oil negotiations; and
- (3) that the outstanding points could only be settled if the Company's negotiators talked to their principals personally in London and explained the Sheikh's attitude to them. He was not satisfied that it had been made clear.

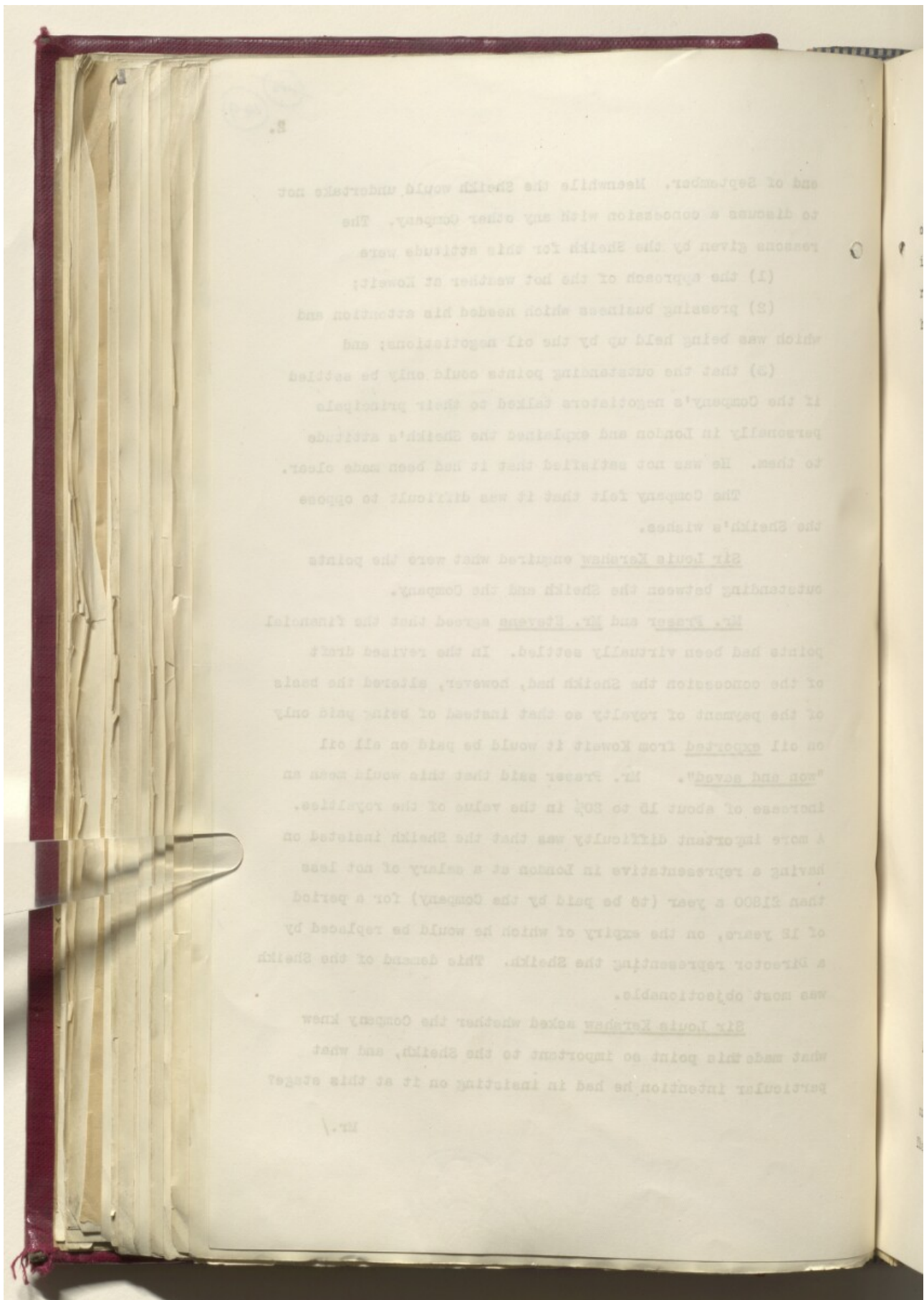
The Company felt that it was difficult to oppose the Sheikh's wishes.

Sir Louis Kershaw enquired what were the points outstanding between the Sheikh and the Company.

Mr. Fraser and Mr. Stevens agreed that the financial points had been virtually settled. In the revised draft of the concession the Sheikh had, however, altered the basis of the payment of royalty so that instead of being paid only on oil exported from Koweit it would be paid on all oil "won and saved". Mr. Fraser said that this would mean an increase of about 15 to 20% in the value of the royalties. A more important difficulty was that the Sheikh insisted on having a representative in London at a salary of not less than £1800 a year (to be paid by the Company) for a period of 12 years, on the expiry of which he would be replaced by a Director representing the Sheikh. This demand of the Sheikh was most objectionable.

Sir Louis Kershaw asked whether the Company knew what made this point so important to the Sheikh, and what particular intention he had in insisting on it at this stage?

Mr./



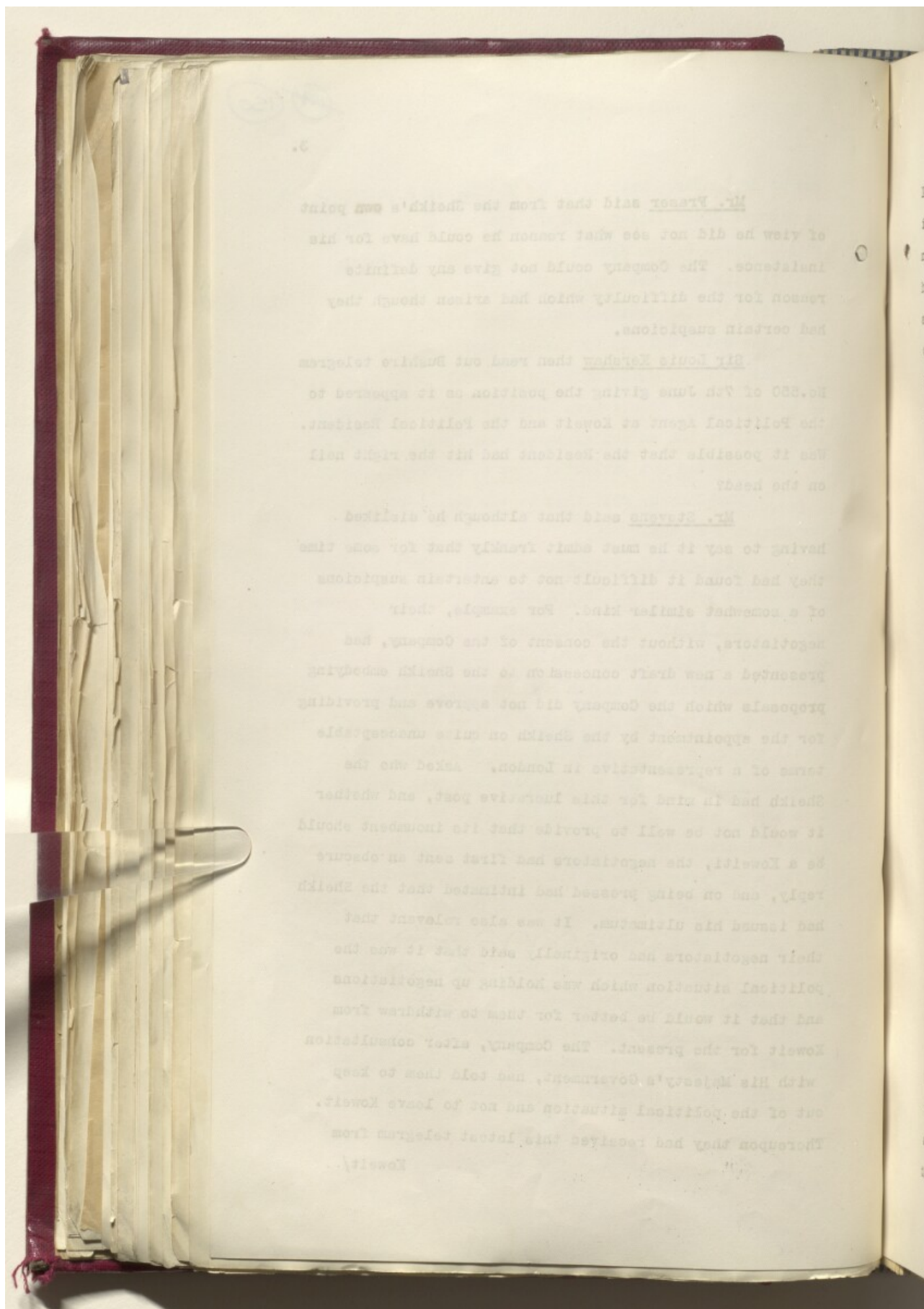


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Mr. Fraser said that from the Sheikh's own point of view he did not see what reason he could have for his insistence. The Company could not give any definite reason for the difficulty which had arisen though they had certain suspicions.

Sir Louis Kershaw then read out Bushire telegram No.550 of 7th June giving the position as it appeared to the Political Agent at Koweit and the Political Resident. Was it possible that the Resident had hit the right nail on the head?

Mr. Stevens said that although he disliked having to say it he must admit frankly that for some time they had found it difficult not to entertain suspicions of a somewhat similar kind. For example, their negotiators, without the consent of the Company, had presented a new draft concession to the Sheikh embodying proposals which the Company did not approve and providing for the appointment by the Sheikh on quite unacceptable terms of a representative in London. Asked who the Sheikh had in mind for this lucrative post, and whether it would not be well to provide that its incumbent should be a Koweiti, the negotiators had first sent an obscure reply, and on being pressed had intimated that the Sheikh had issued his ultimatum. It was also relevant that their negotiators had originally said that it was the political situation which was holding up negotiations and that it would be better for them to withdraw from Koweit for the present. The Company, after consultation with His Majesty's Government, had told them to keep out of the political situation and not to leave Koweit. Thereupon they had received this latest telegram from
Koweit/





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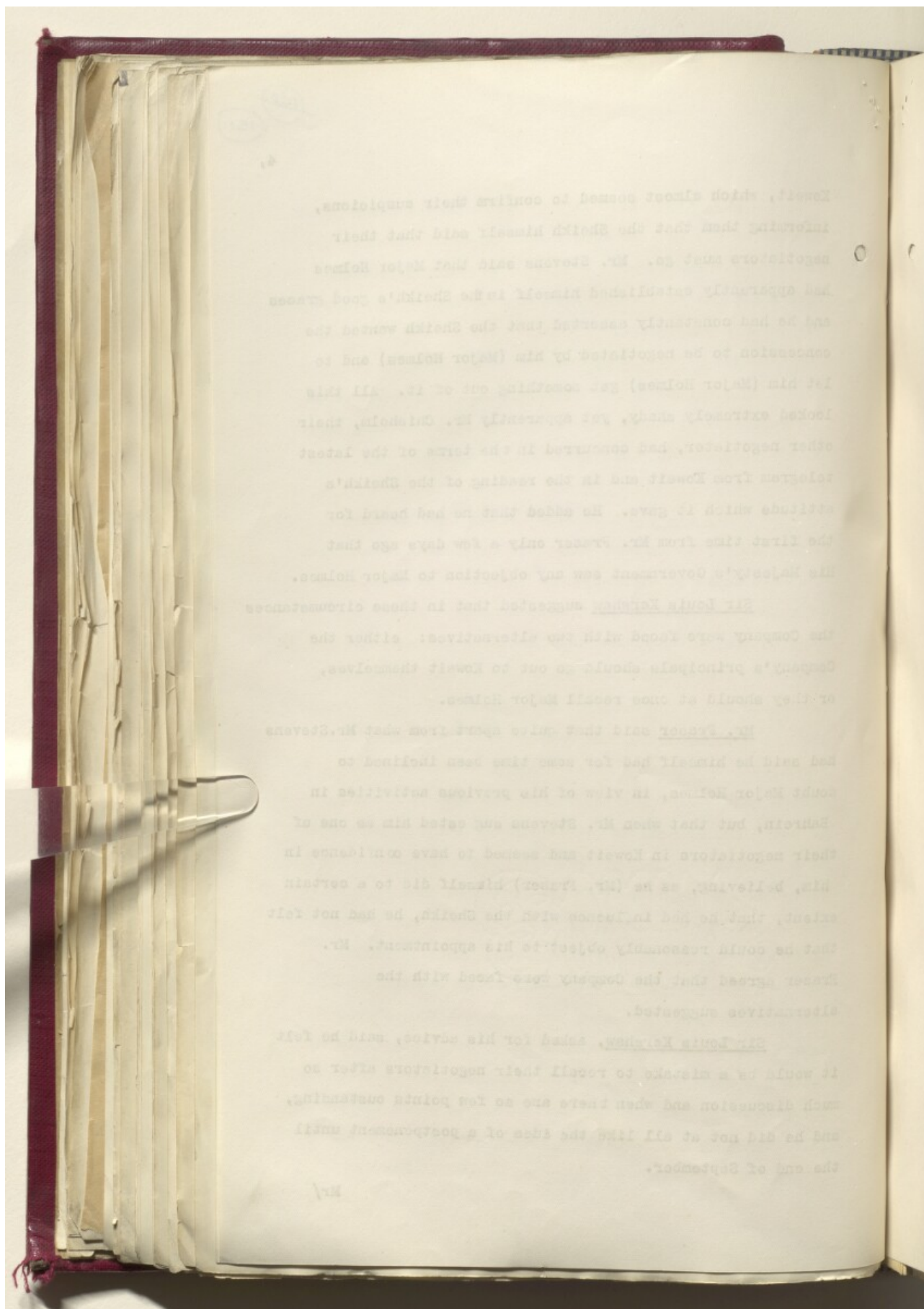
Koweit, which almost seemed to confirm their suspicions, informing them that the Sheikh himself said that their negotiators must go. Mr. Stevens said that Major Holmes had apparently established himself in the Sheikh's good graces and he had constantly asserted that the Sheikh wanted the concession to be negotiated by him (Major Holmes) and to let him (Major Holmes) get something out of it. All this looked extremely shady, yet apparently Mr. Chisholm, their other negotiator, had concurred in the terms of the latest telegram from Koweit and in the reading of the Sheikh's attitude which it gave. He added that he had heard for the first time from Mr. Fraser only a few days ago that His Majesty's Government saw any objection to Major Holmes.

Sir Louis Kershaw suggested that in these circumstances the Company were faced with two alternatives: either the Company's principals should go out to Koweit themselves, or they should at once recall Major Holmes.

Mr. Fraser said that quite apart from what Mr. Stevens had said he himself had for some time been inclined to doubt Major Holmes, in view of his previous activities in Bahrein, but that when Mr. Stevens suggested him as one of their negotiators in Koweit and seemed to have confidence in him, believing, as he (Mr. Fraser) himself did to a certain extent, that he had influence with the Sheikh, he had not felt that he could reasonably object to his appointment. Mr. Fraser agreed that the Company were faced with the alternatives suggested.

Sir Louis Kershaw, asked for his advice, said he felt it would be a mistake to recall their negotiators after so much discussion and when there are so few points outstanding, and he did not at all like the idea of a postponement until the end of September.

Mr/





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Mr. Laithwaite suggested that if the Company's principals went out to Koweit they could relieve both negotiators without loss of face, but Mr. Fraser thought that if the principals went out, Major Holmes etc. would know that they were suspected of not having handled the situation to the Company's satisfaction.

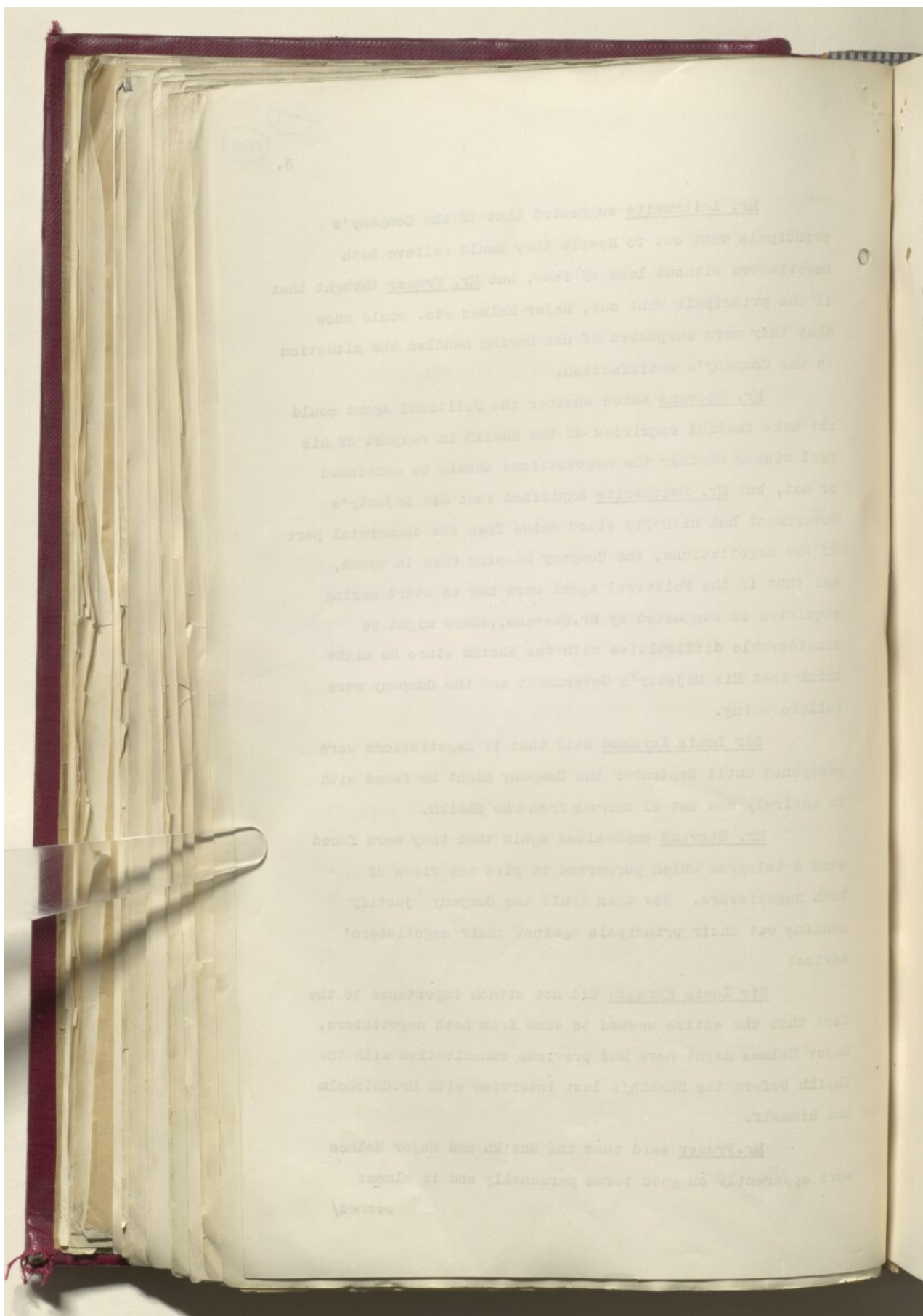
Mr. Stevens asked whether the Political Agent could not make tactful enquiries of the Sheikh in respect of his real wishes whether the negotiations should be continued or not, but Mr. Laithwaite explained that His Majesty's Government had hitherto stood aside from the commercial part of the negotiations, the Company keeping them in touch, and that if the Political Agent were now to start making enquiries as suggested by Mr. Stevens, there might be considerable difficulties with the Sheikh since he might think that His Majesty's Government and the Company were collaborating.

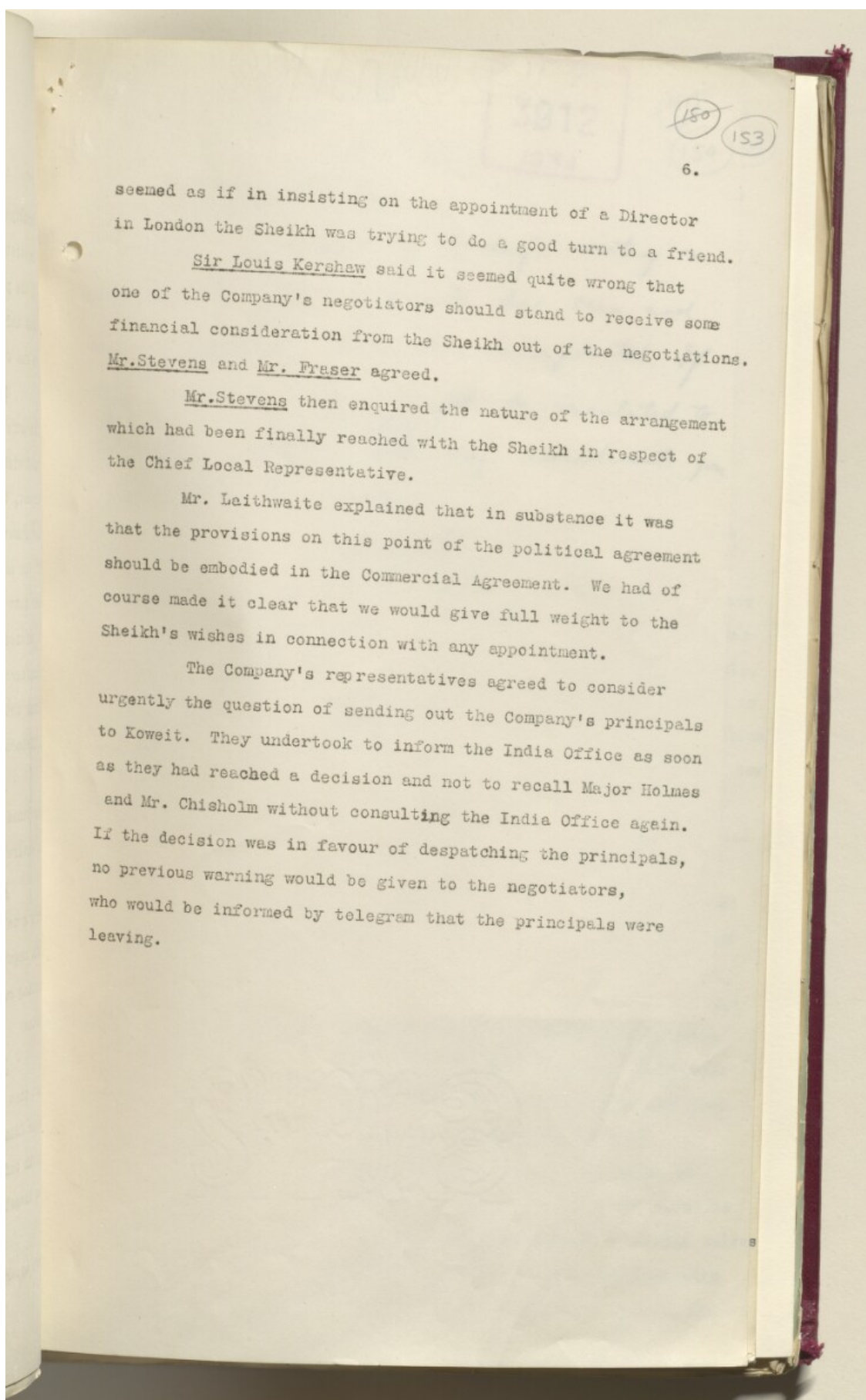
Sir Louis Kershaw said that if negotiations were postponed until September the Company might be faced with an entirely new set of demands from the Sheikh.

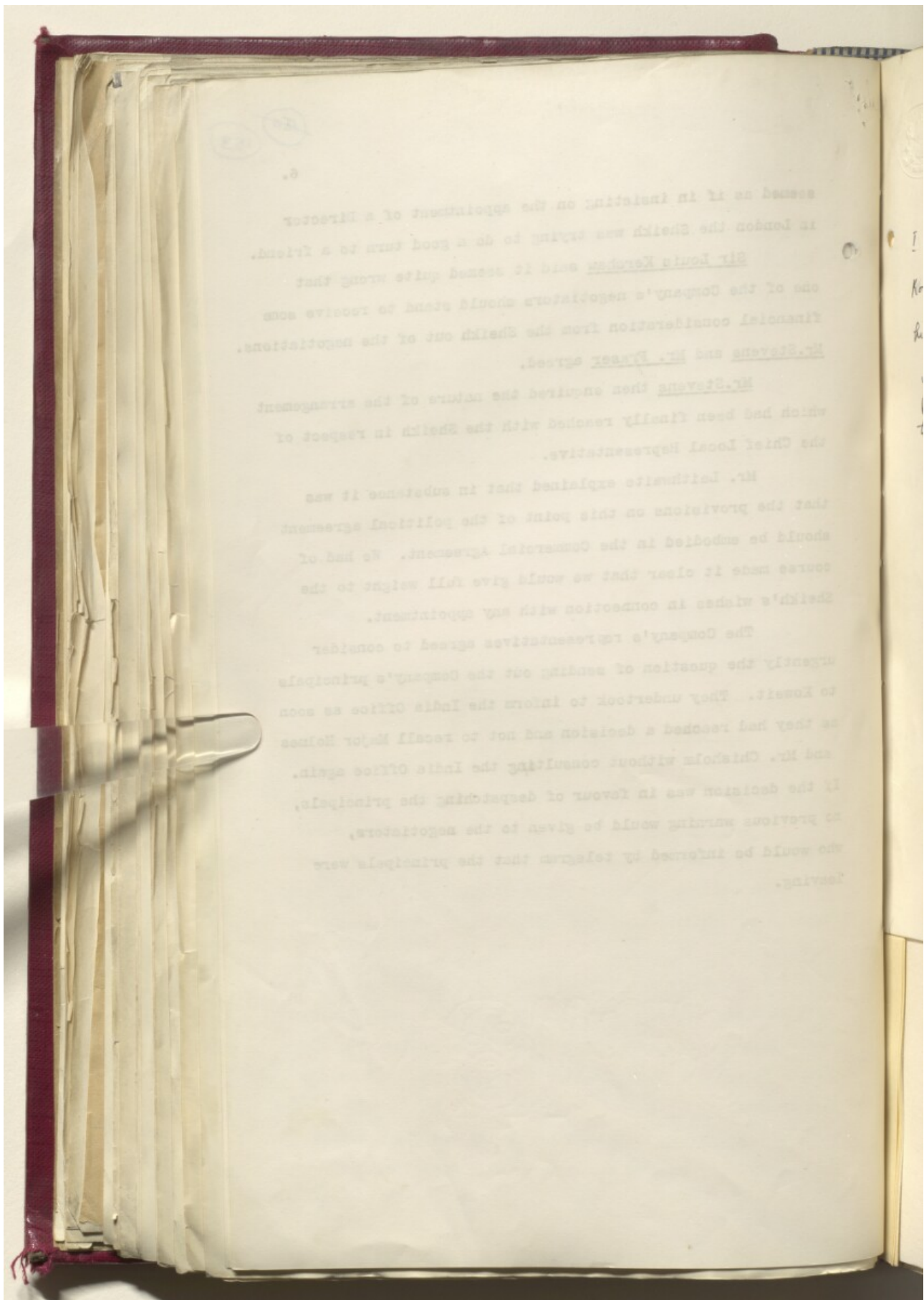
Mr. Stevens emphasised again that they were faced with a telegram which purported to give the views of both negotiators. How then could the Company justify sending out their principals against their negotiators' advice?

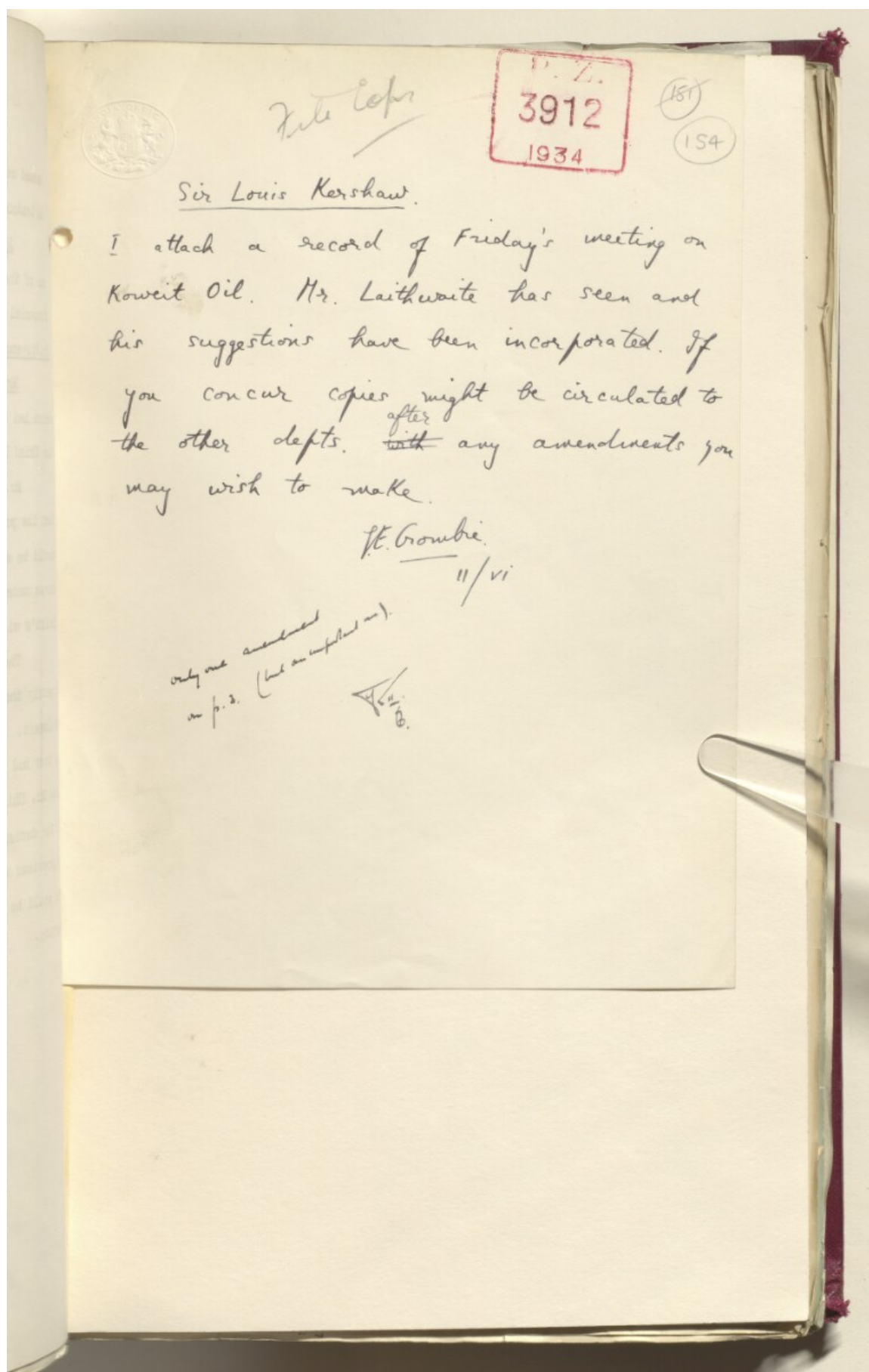
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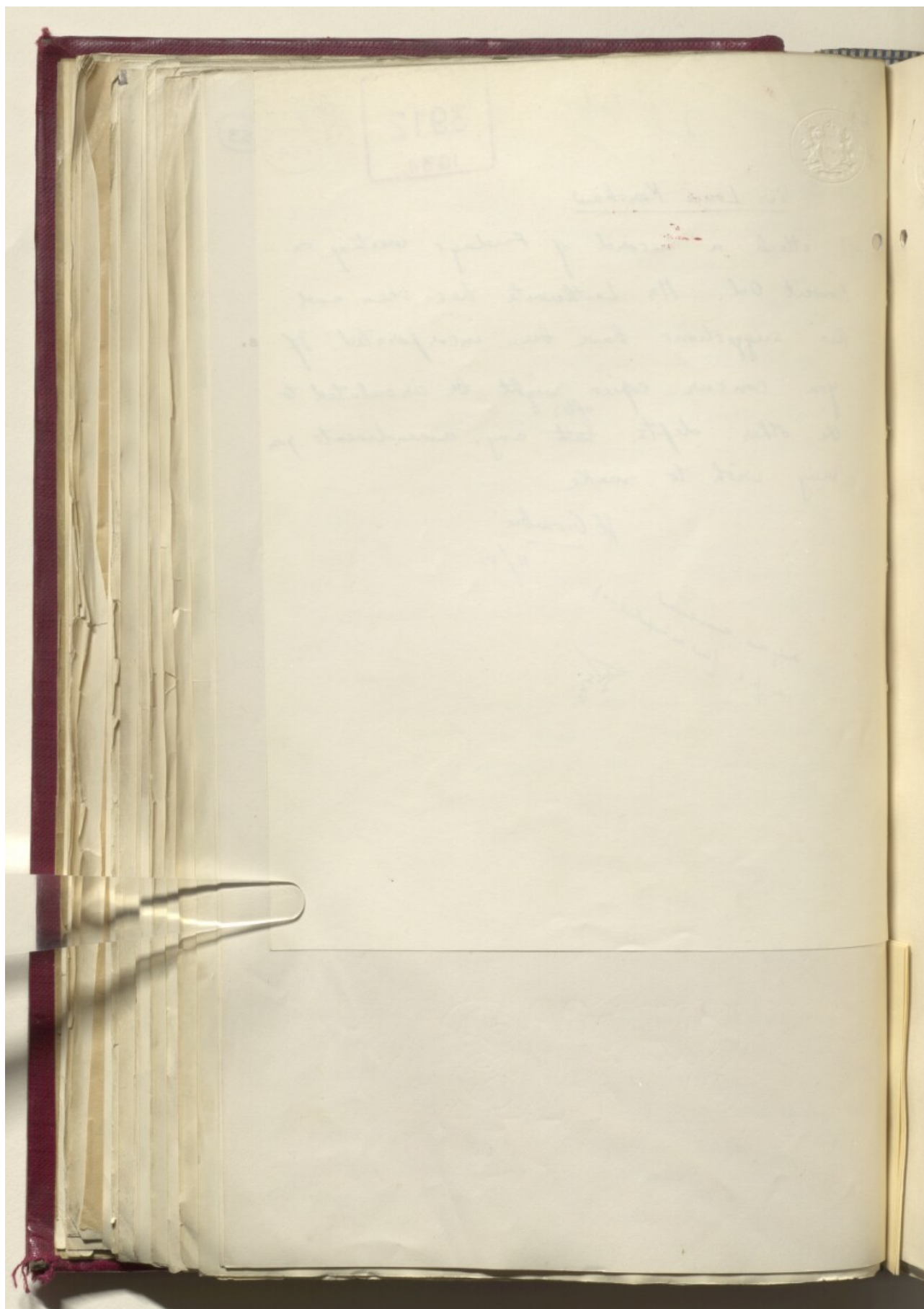
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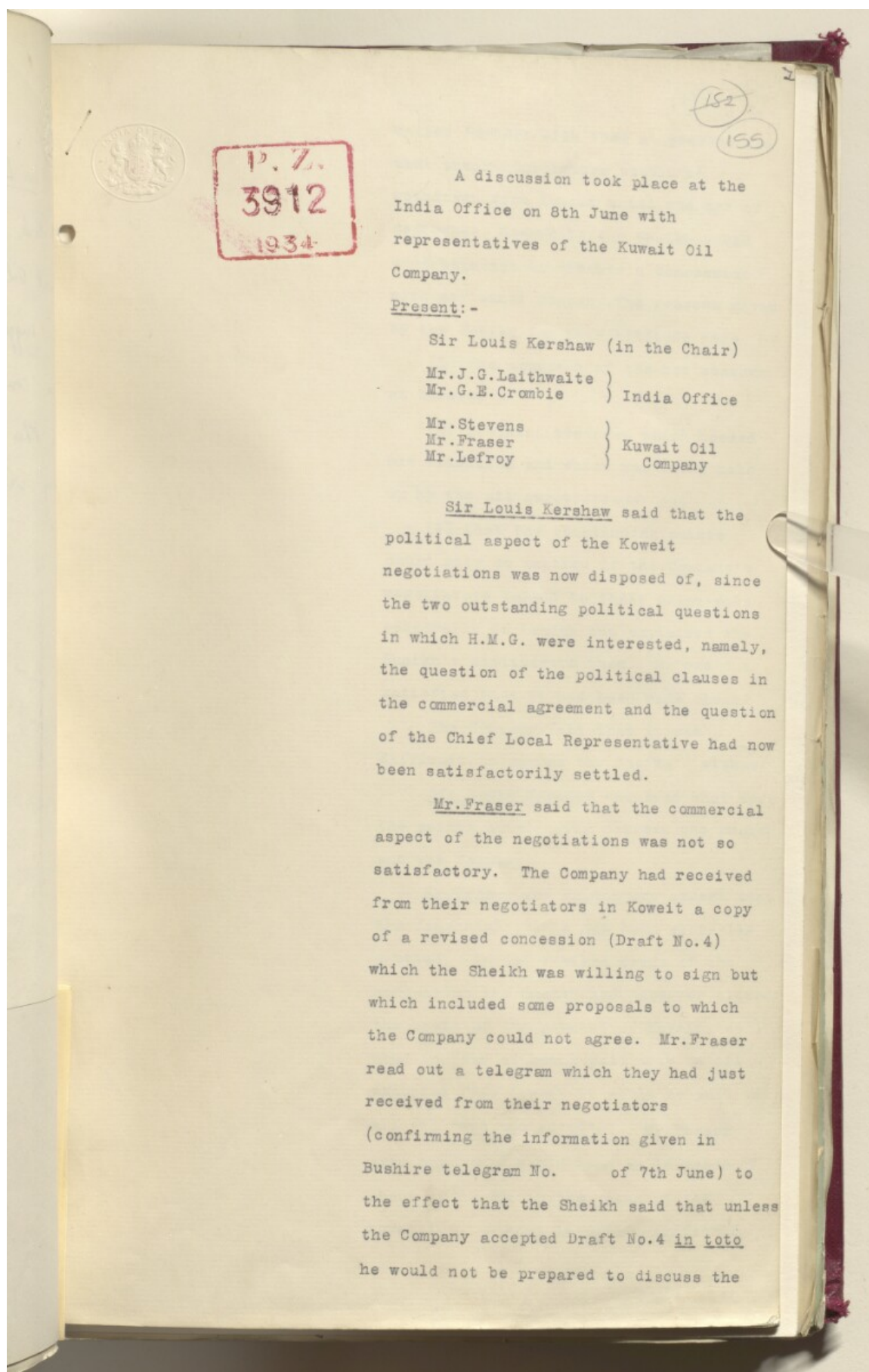


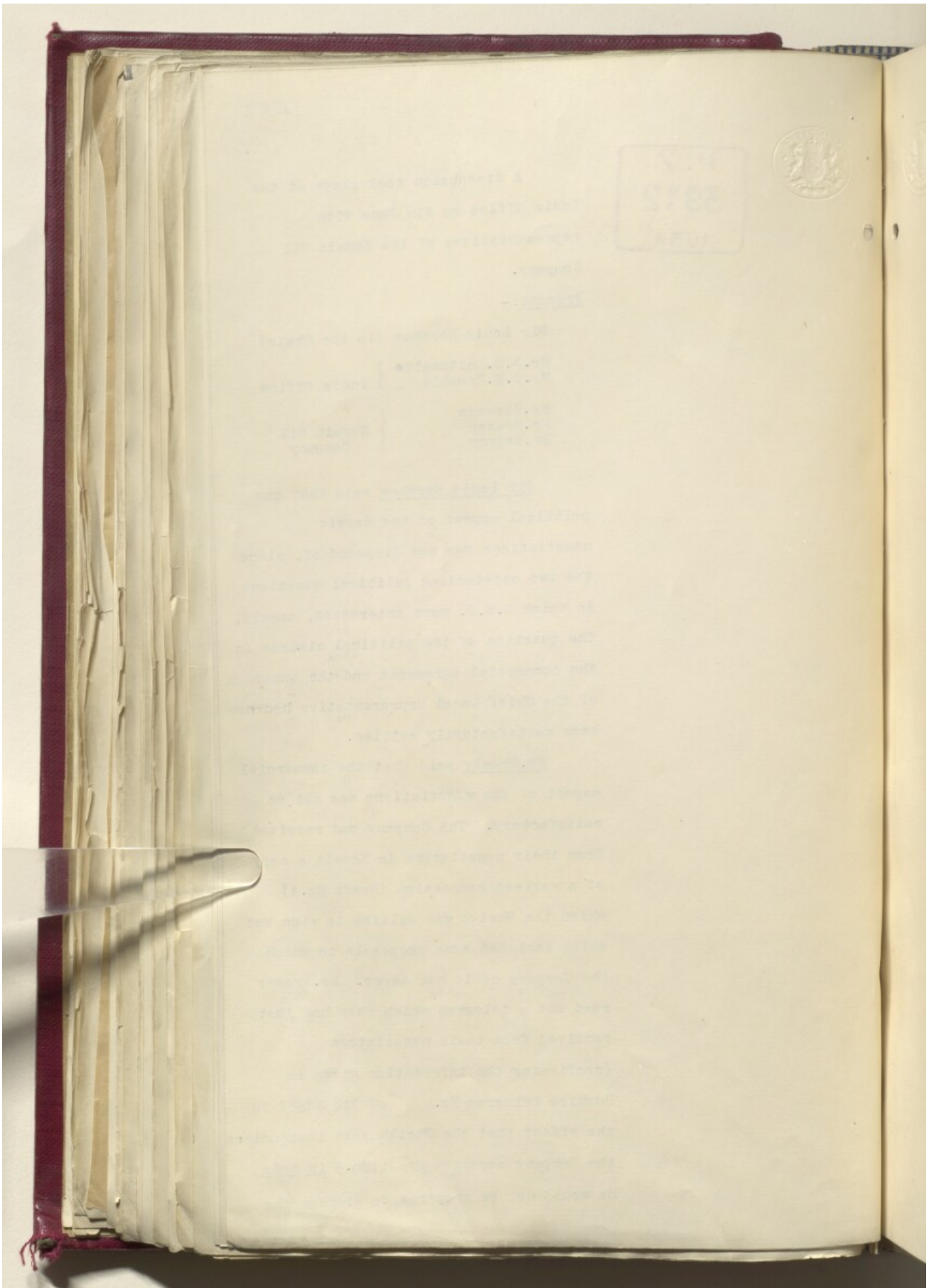


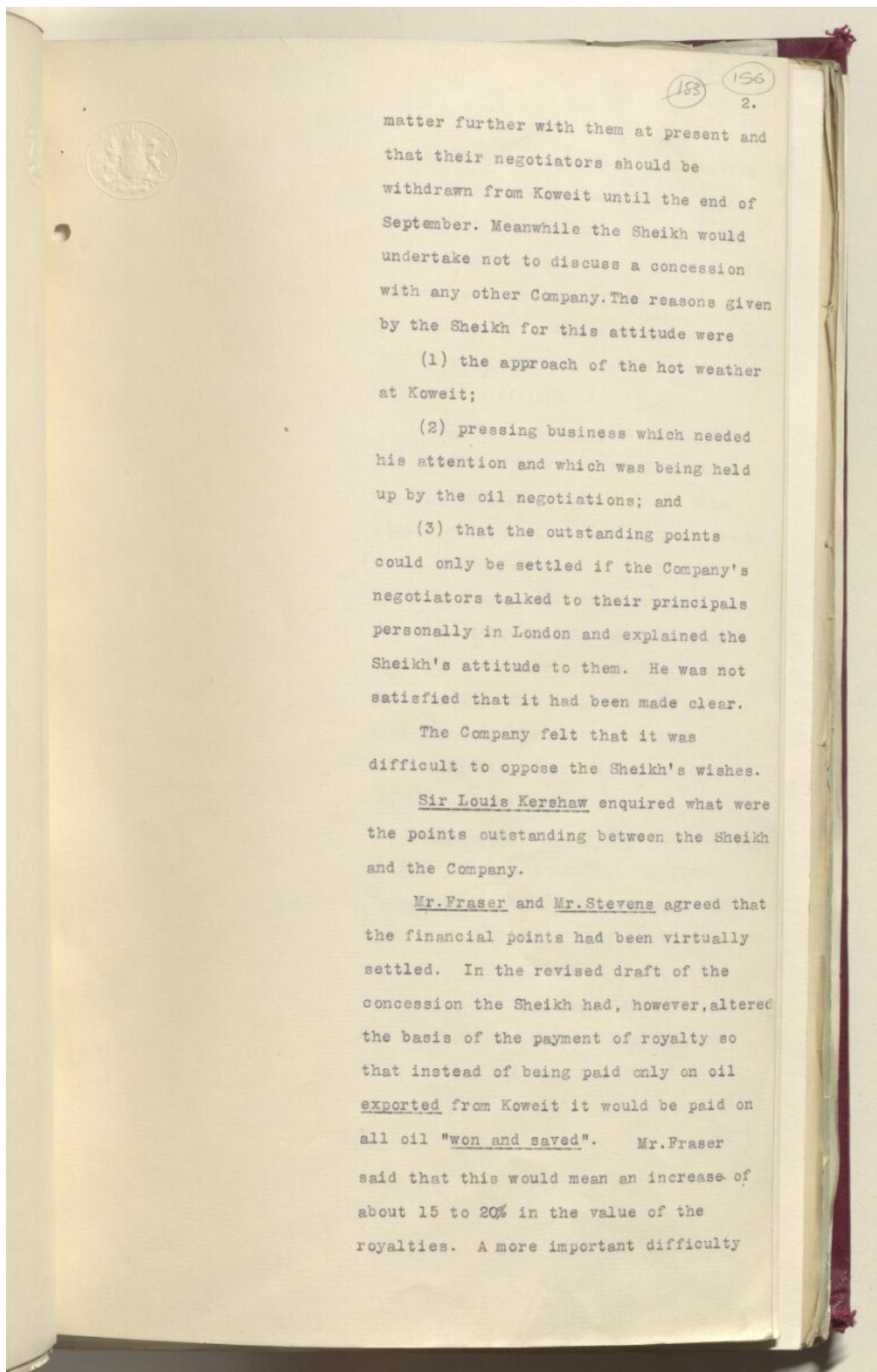


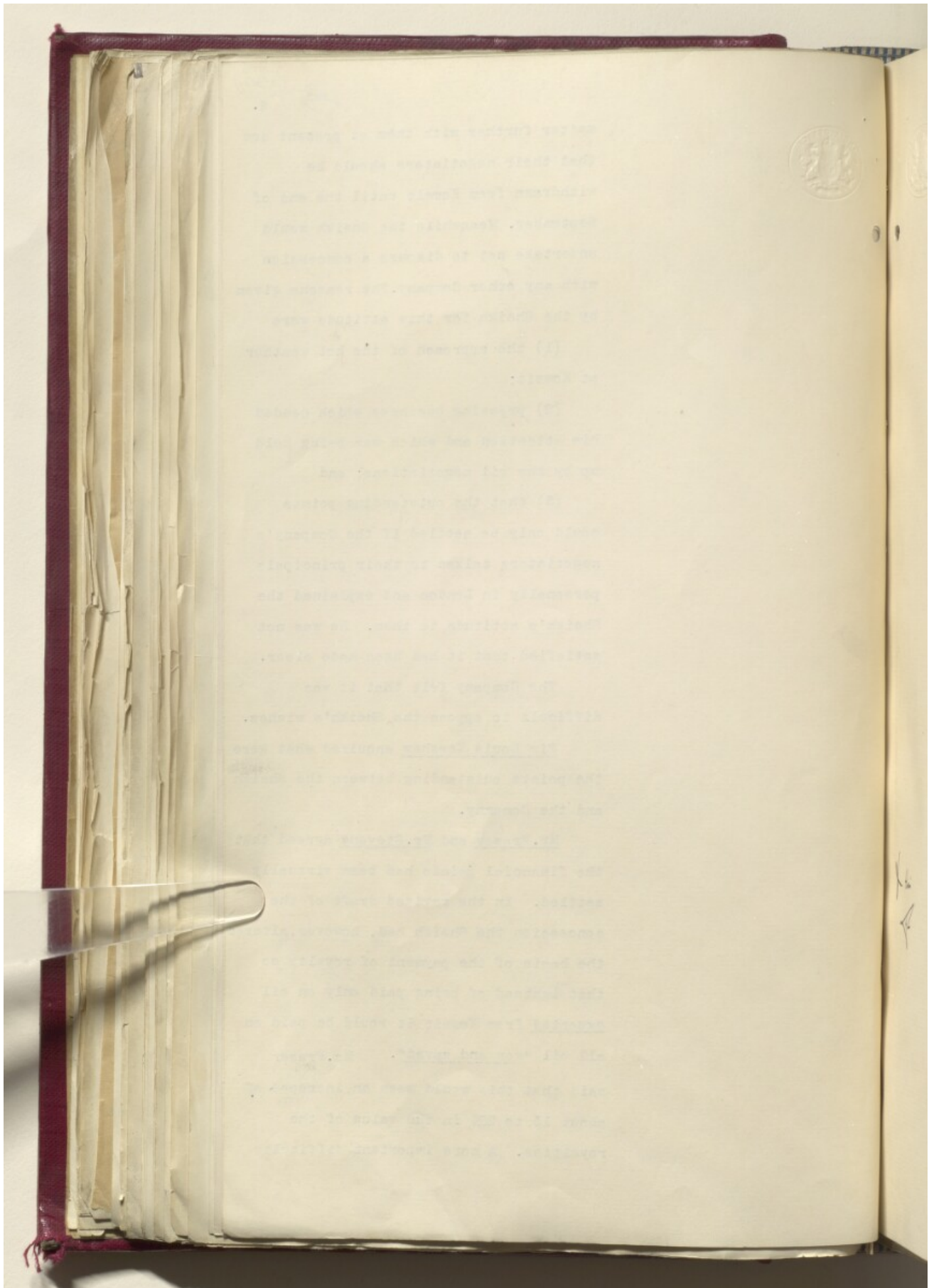


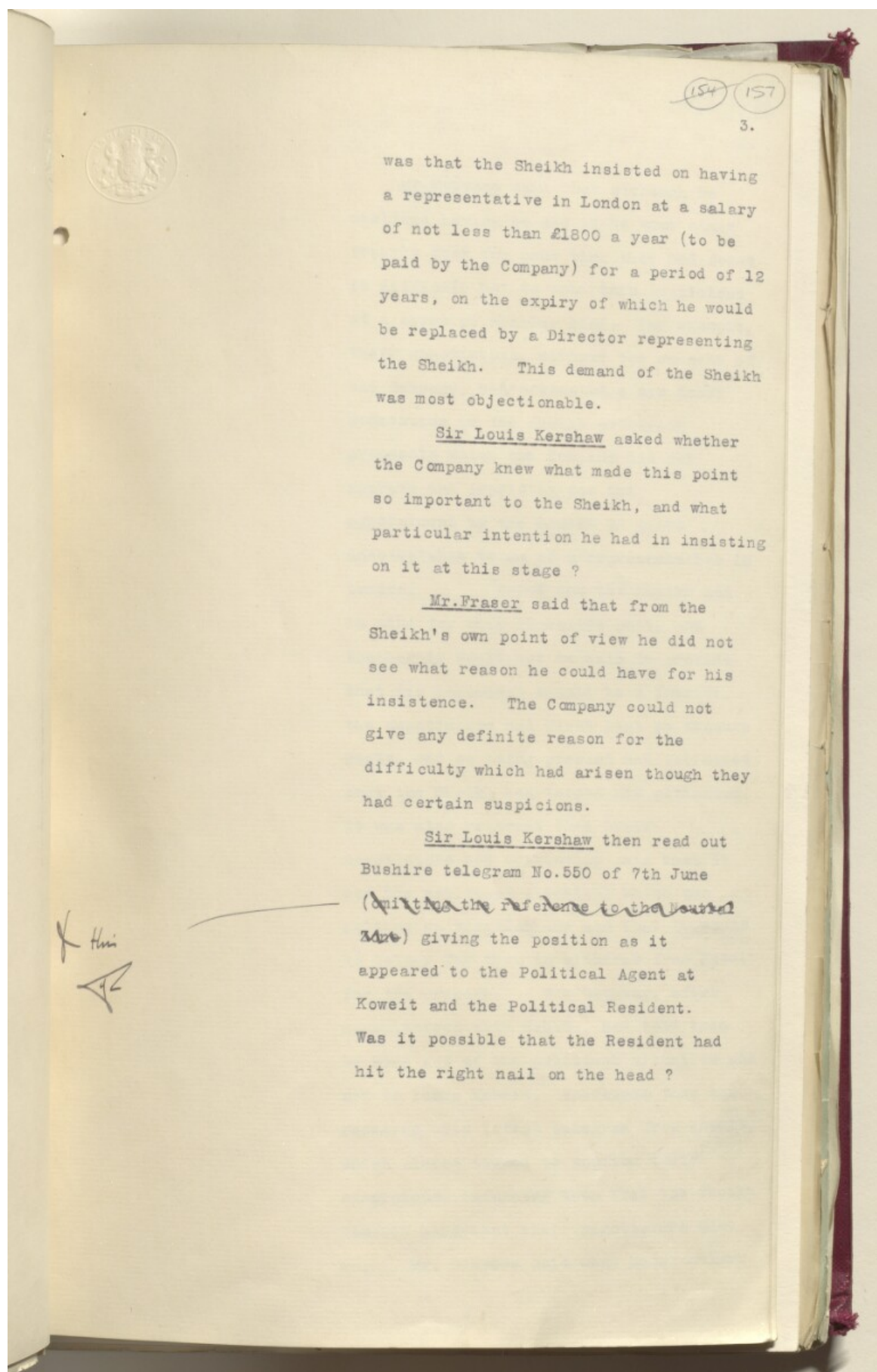












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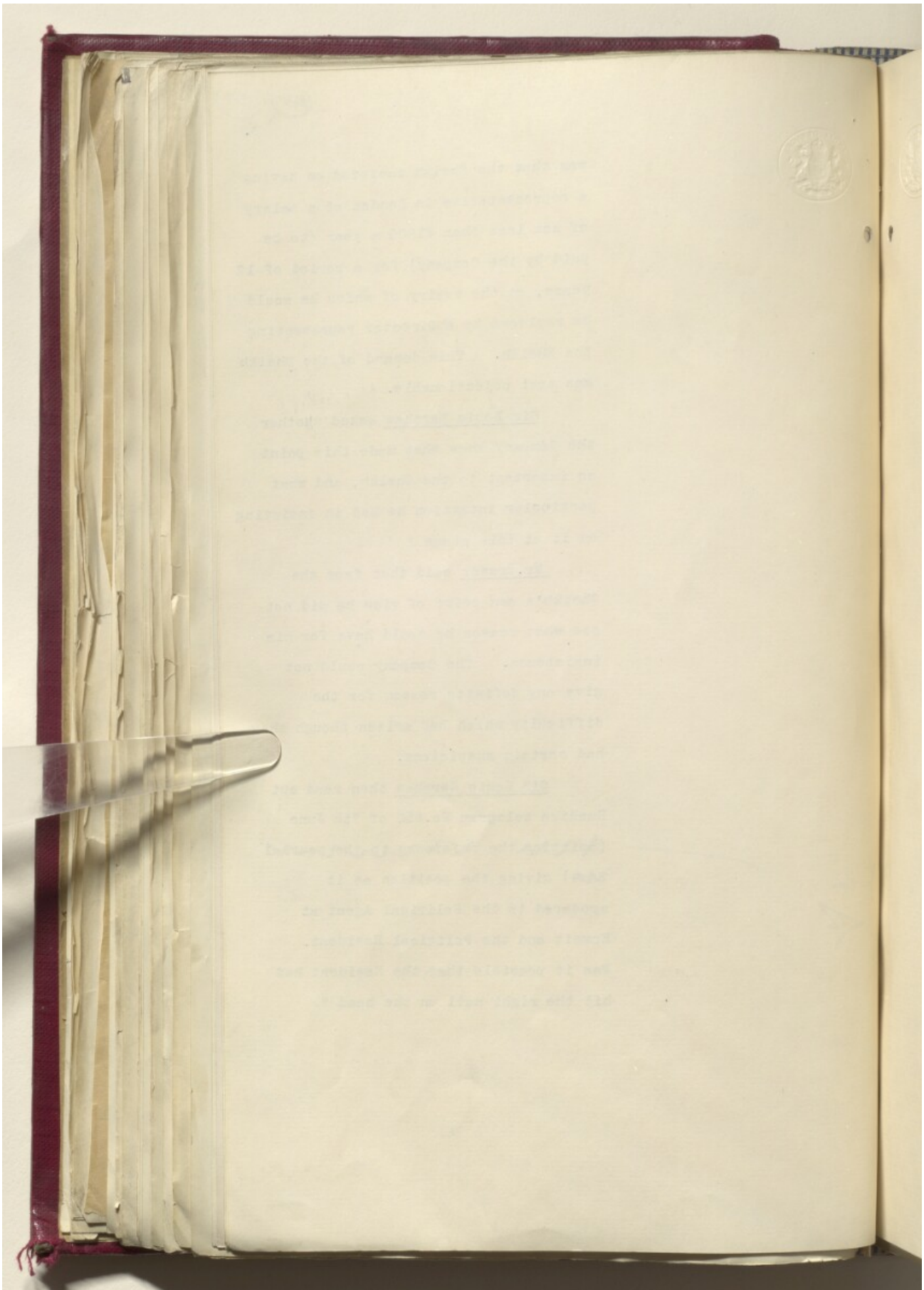
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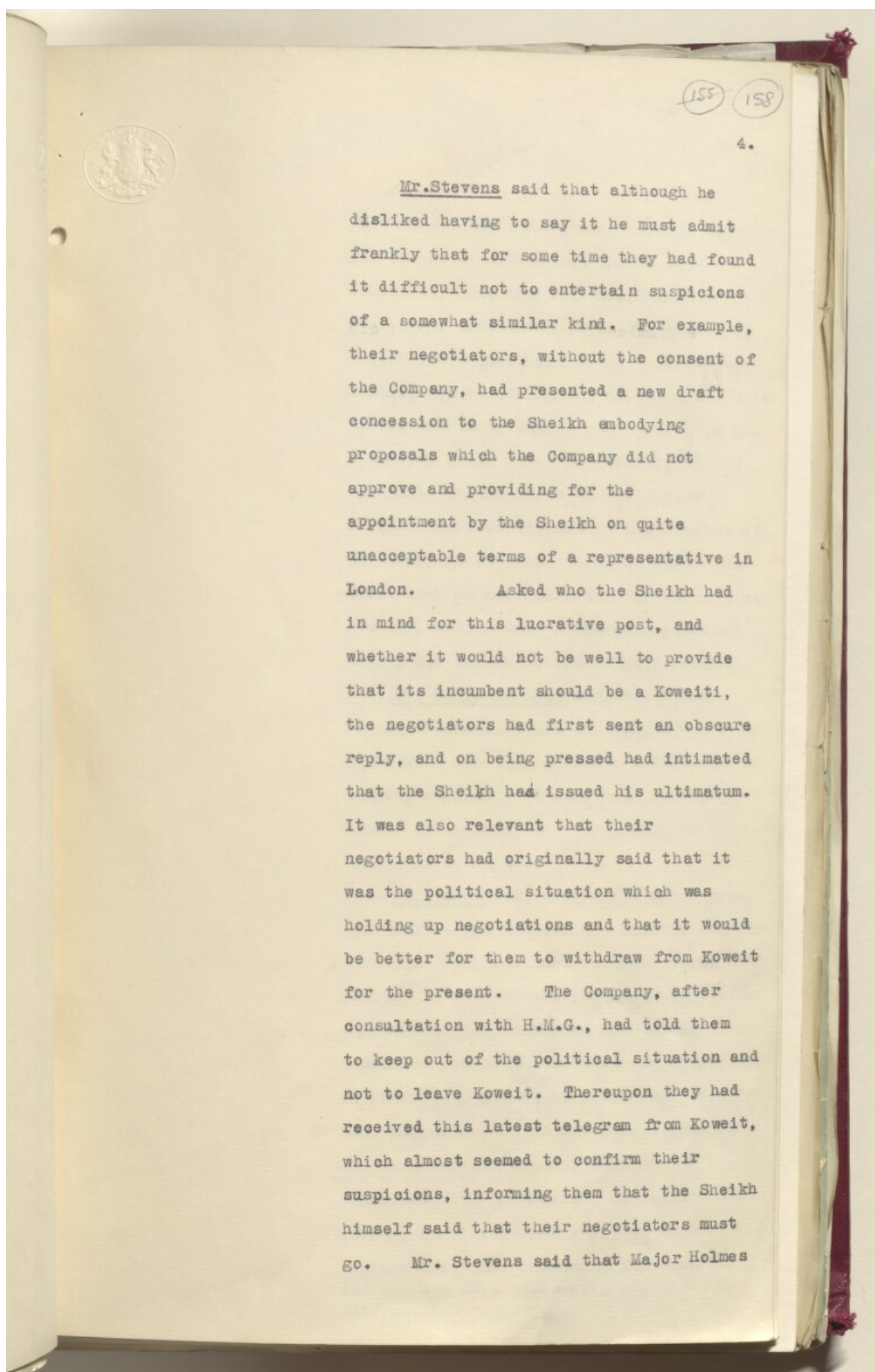
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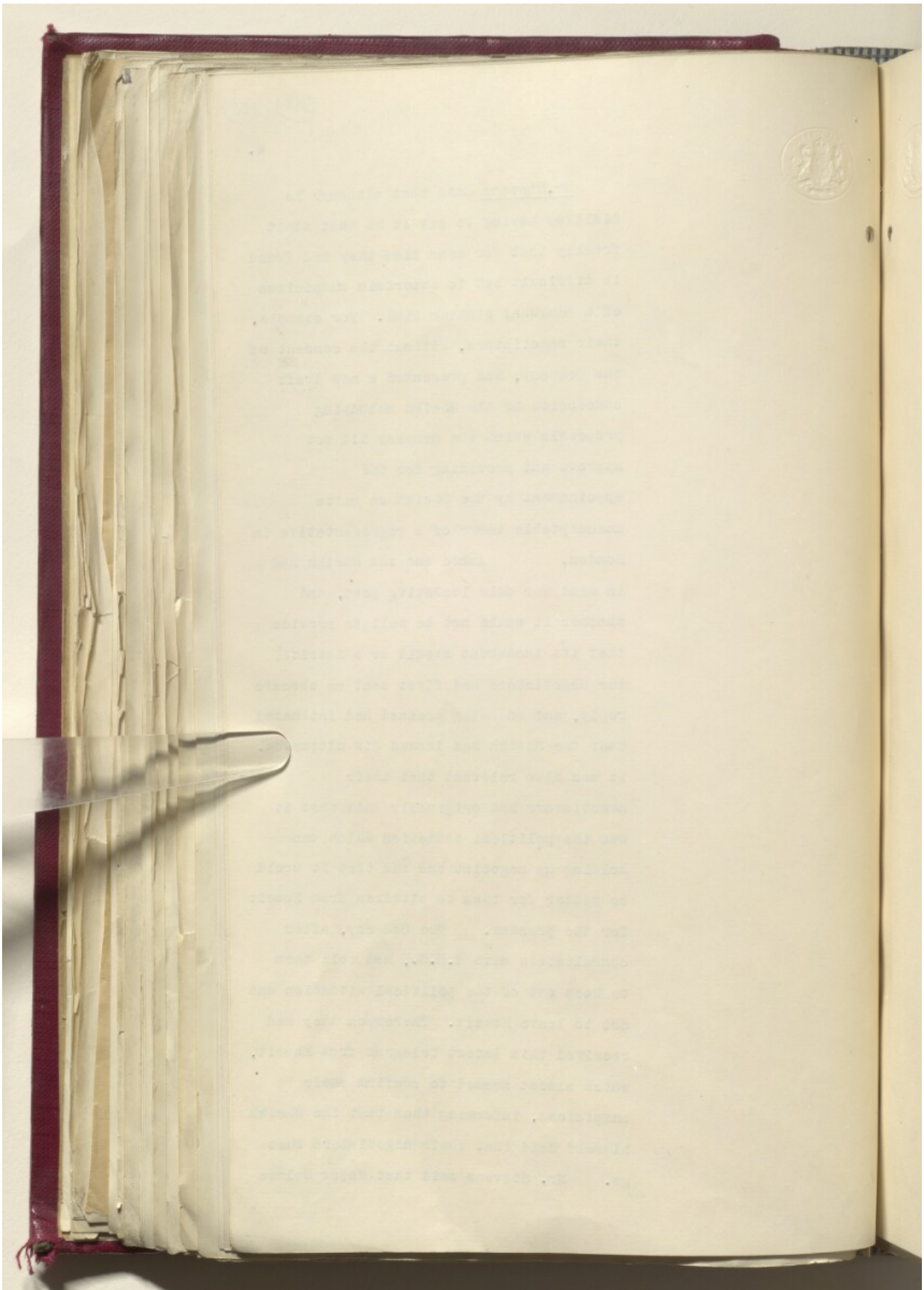
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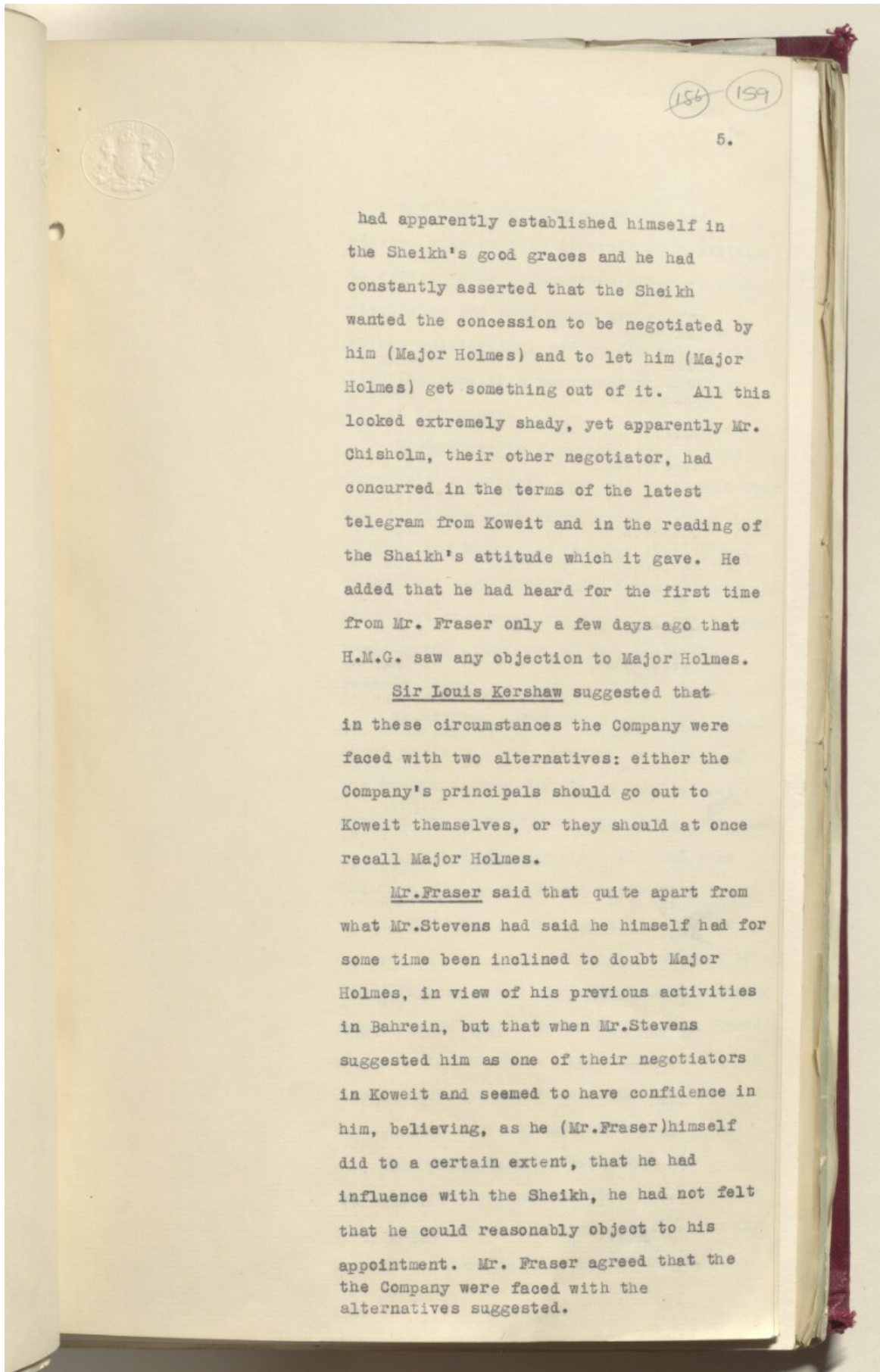
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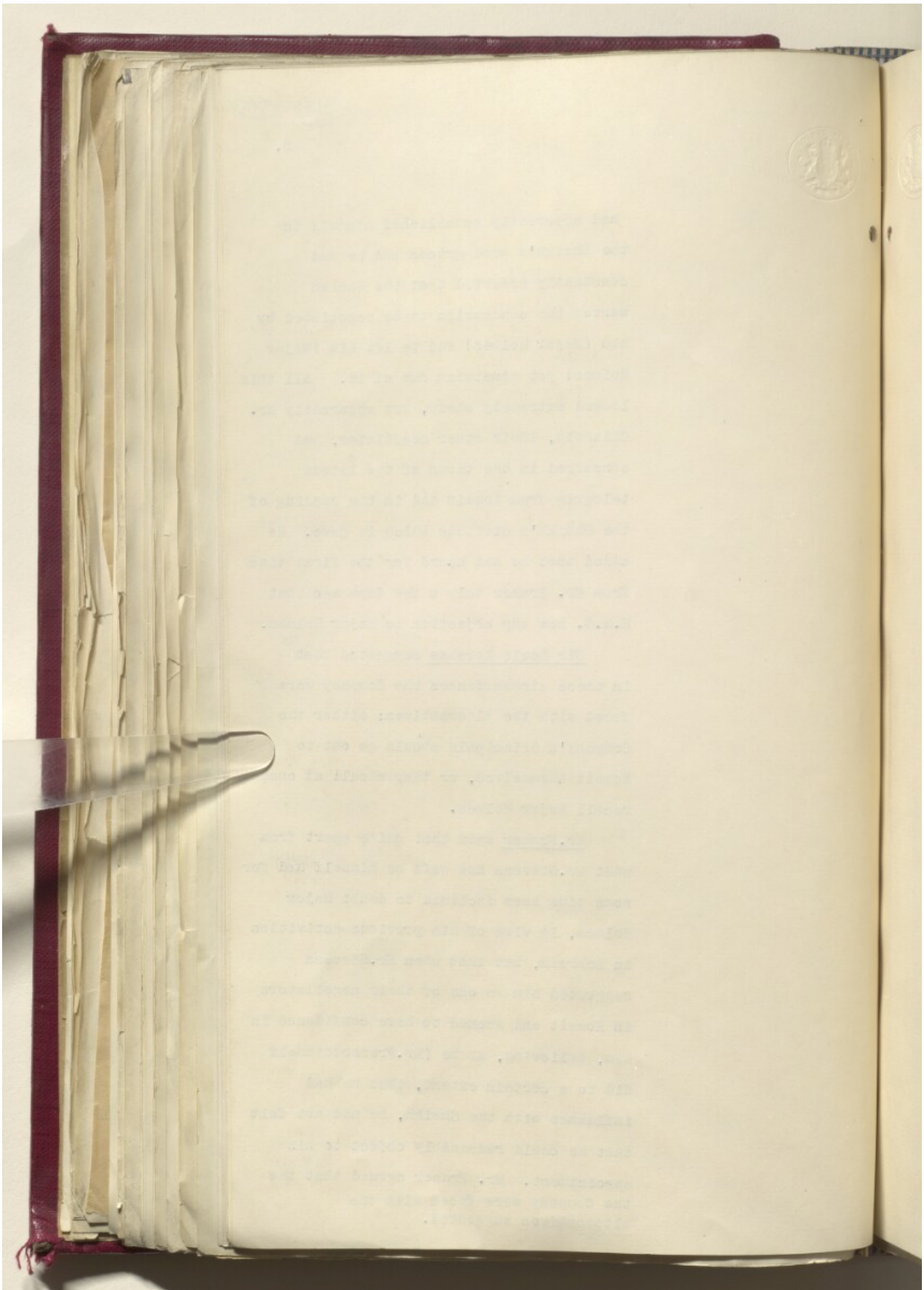


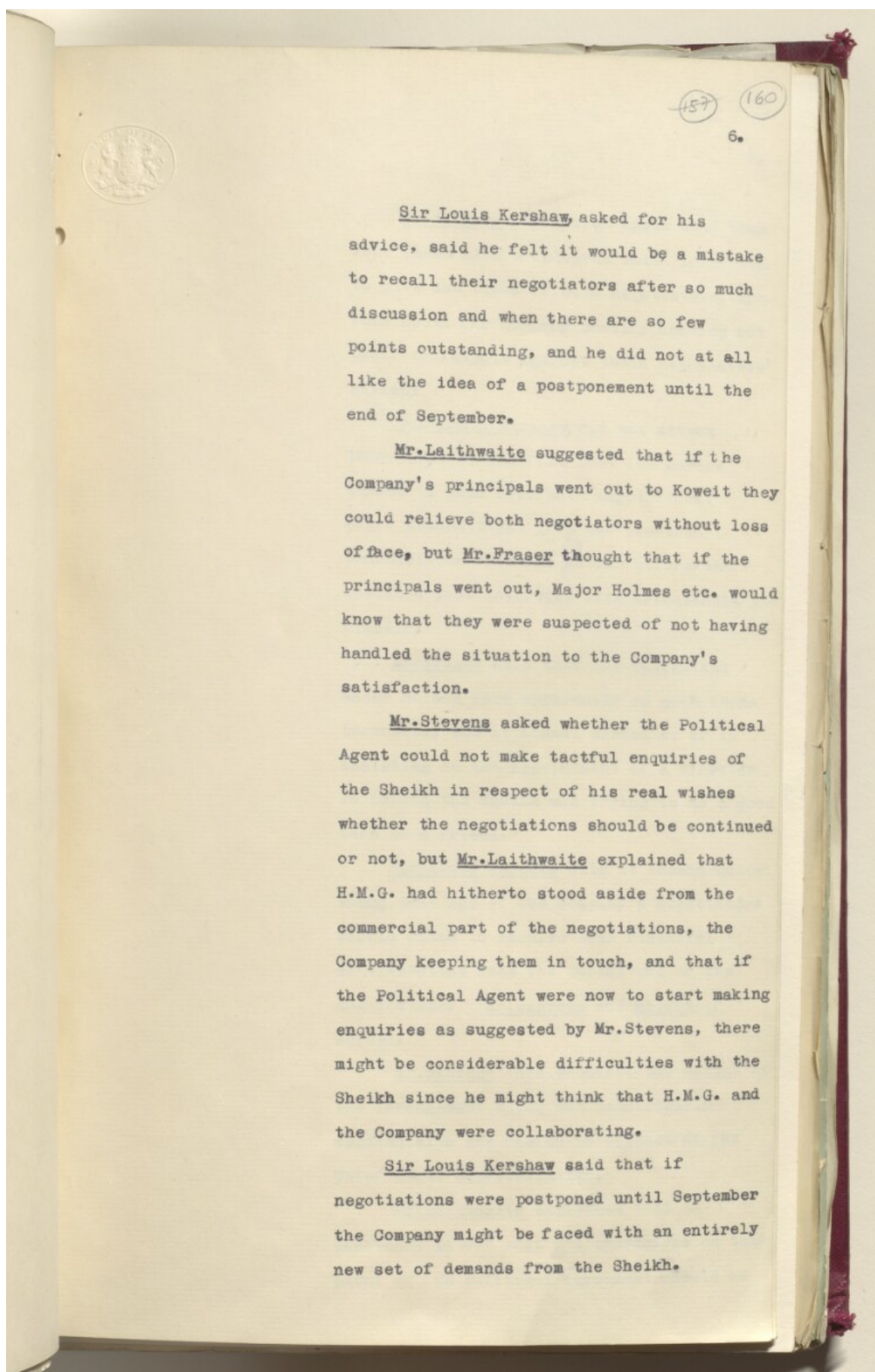
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Sir Louis Kershaw suggested that in these circumstances the Company were faced with two alternatives: either the Company's principals should go out to Koweit themselves, or they should at once recall Major Holmes.

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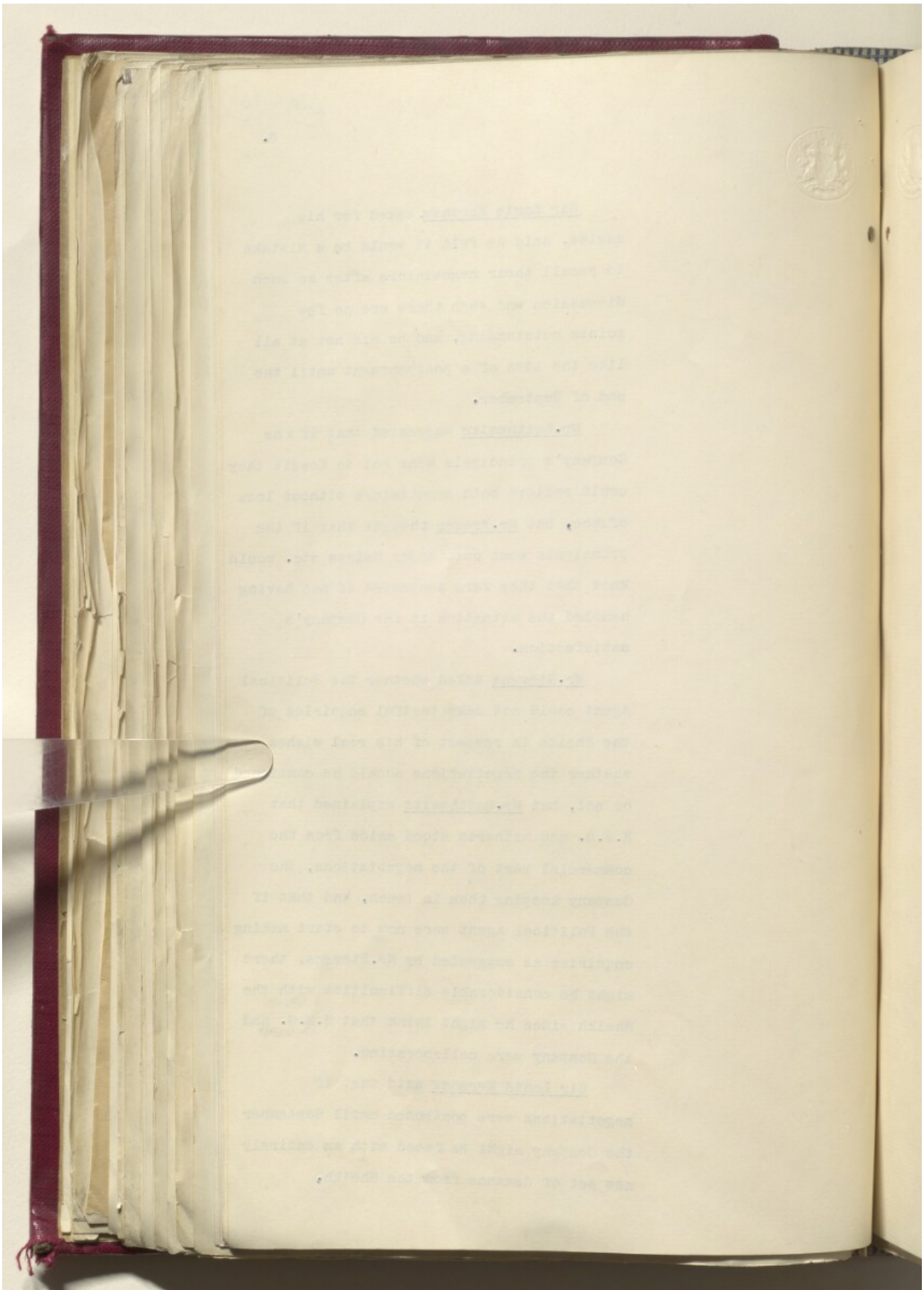
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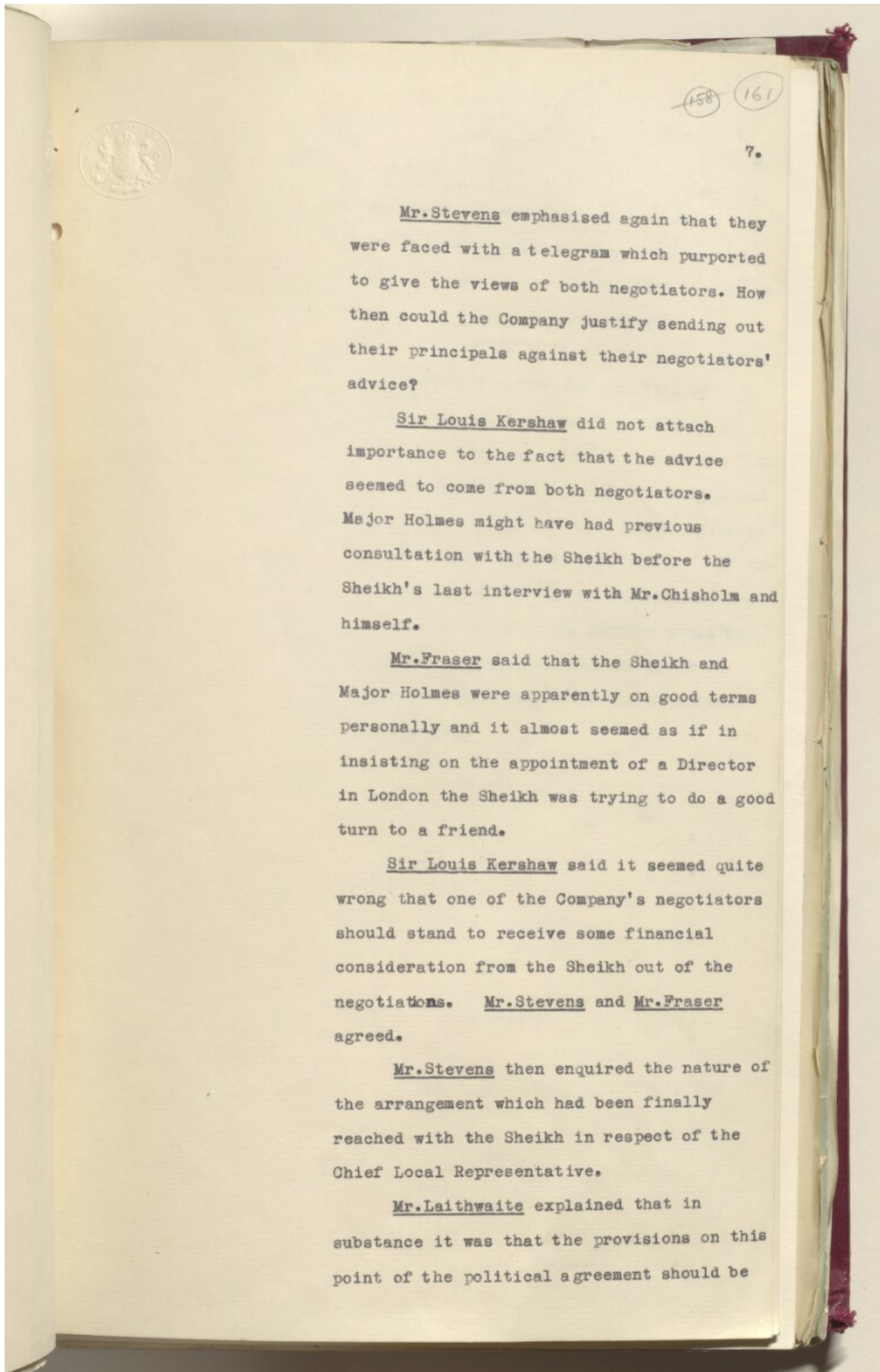
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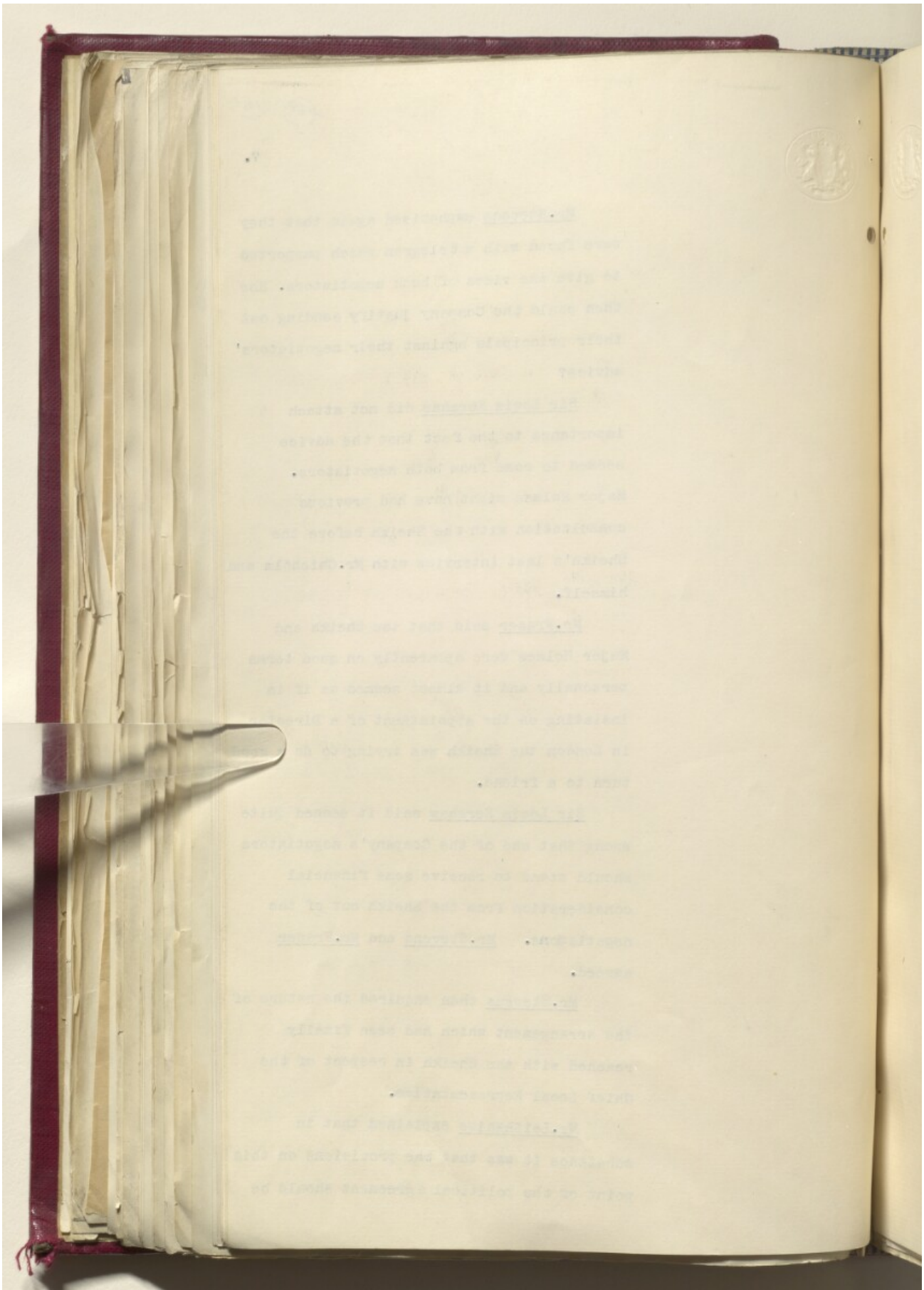
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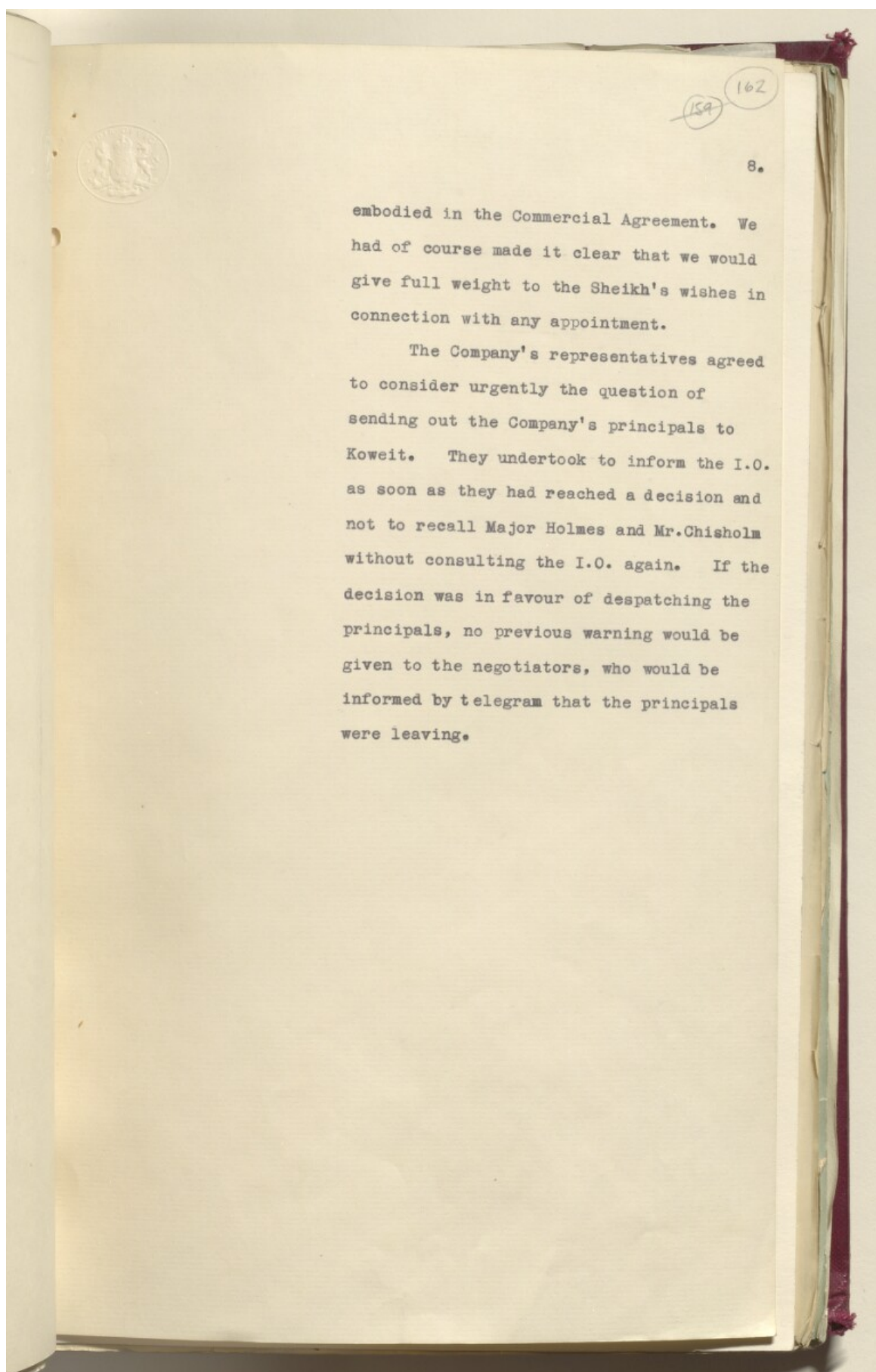
Mr. Fraser said that the Sheikh and Major Holmes were apparently on good terms personally and it almost seemed as if in insisting on the appointment of a Director in London the Sheikh was trying to do a good turn to a friend.

Sir Louis Kershaw said it seemed quite wrong that one of the Company's negotiators should stand to receive some financial consideration from the Sheikh out of the negotiations. Mr. Stevens and Mr. Fraser agreed.

Mr. Stevens then enquired the nature of the arrangement which had been finally reached with the Sheikh in respect of the Chief Local Representative.

Mr. Laithwaite explained that in substance it was that the provisions on this point of the political agreement should be

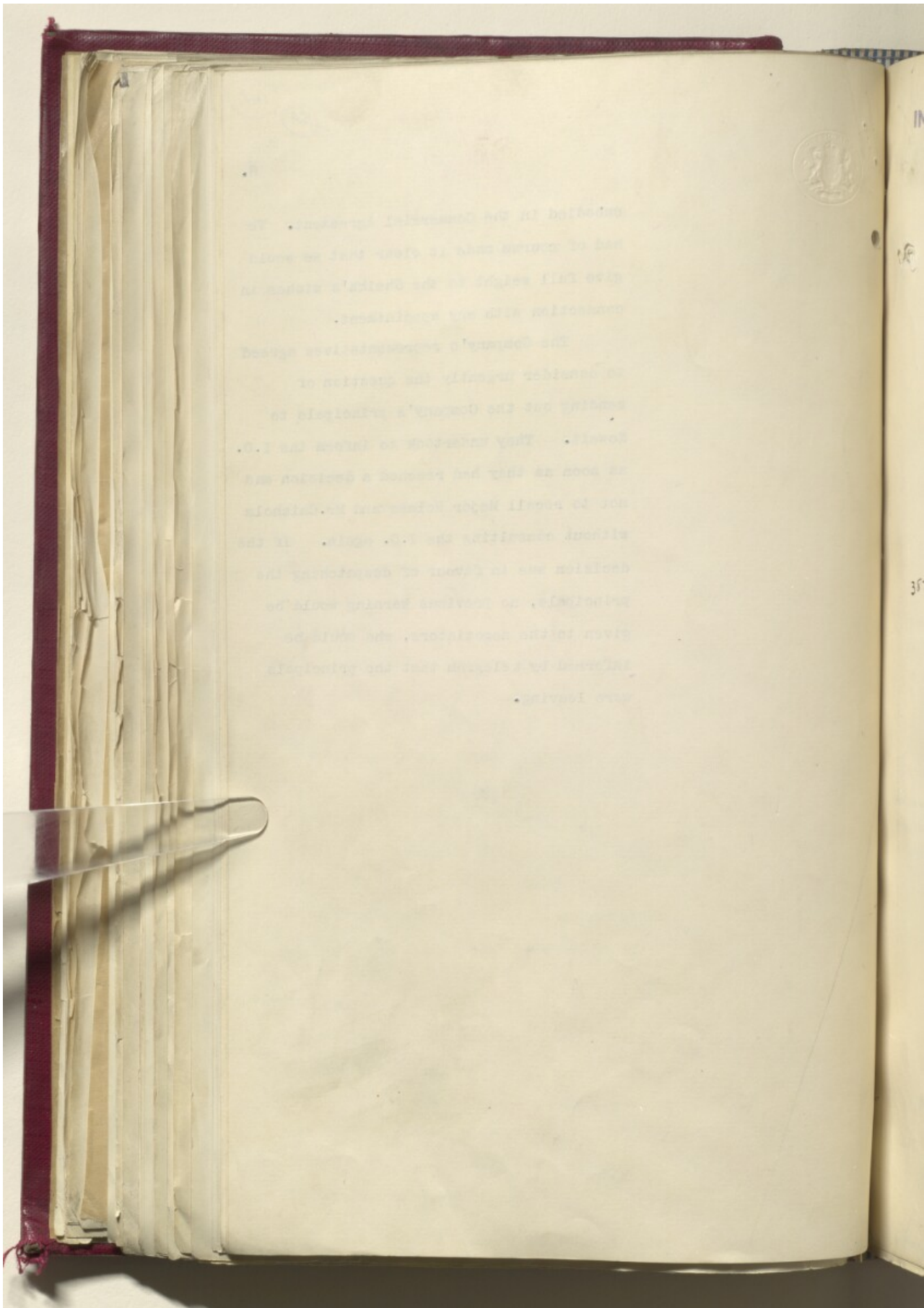


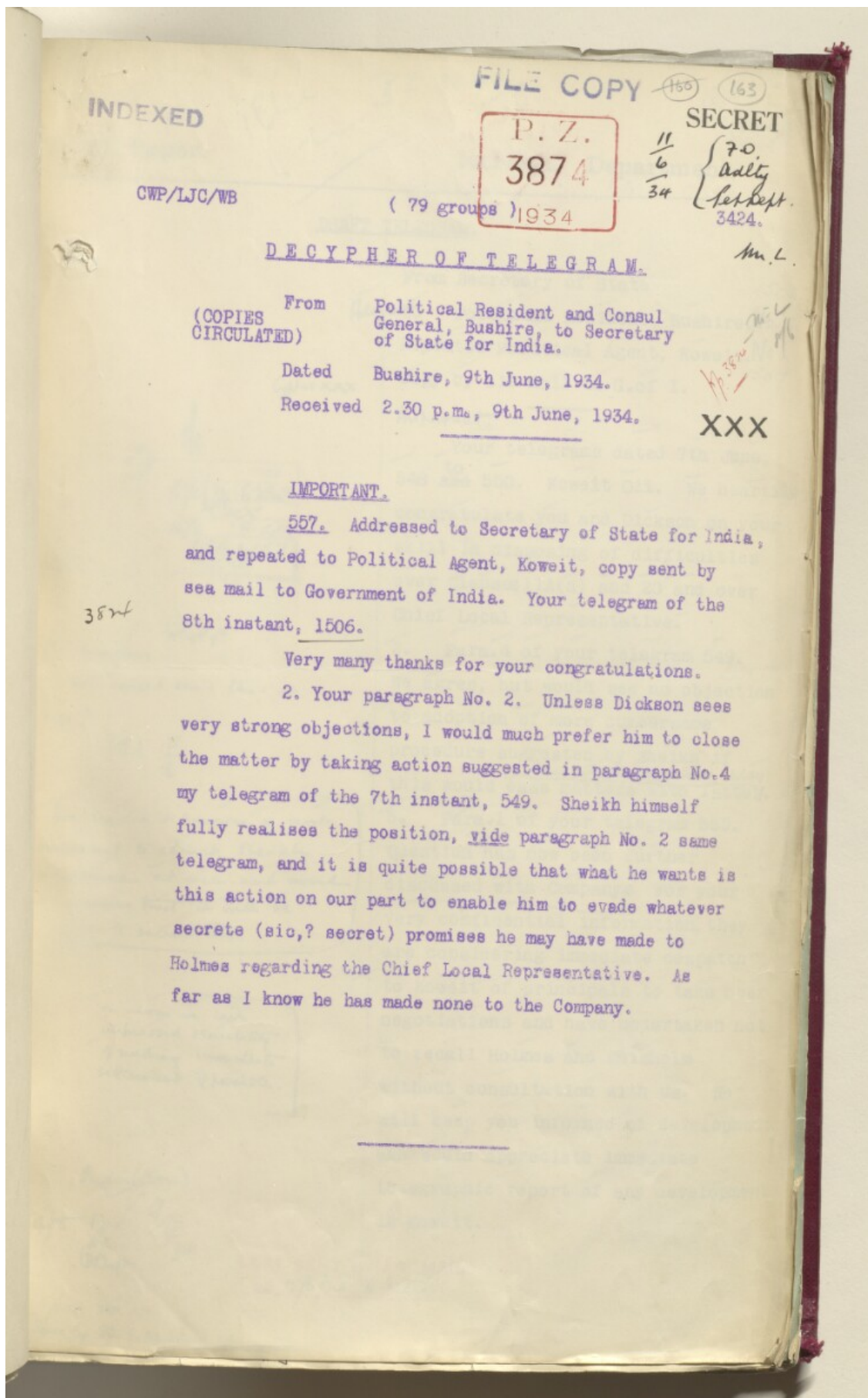


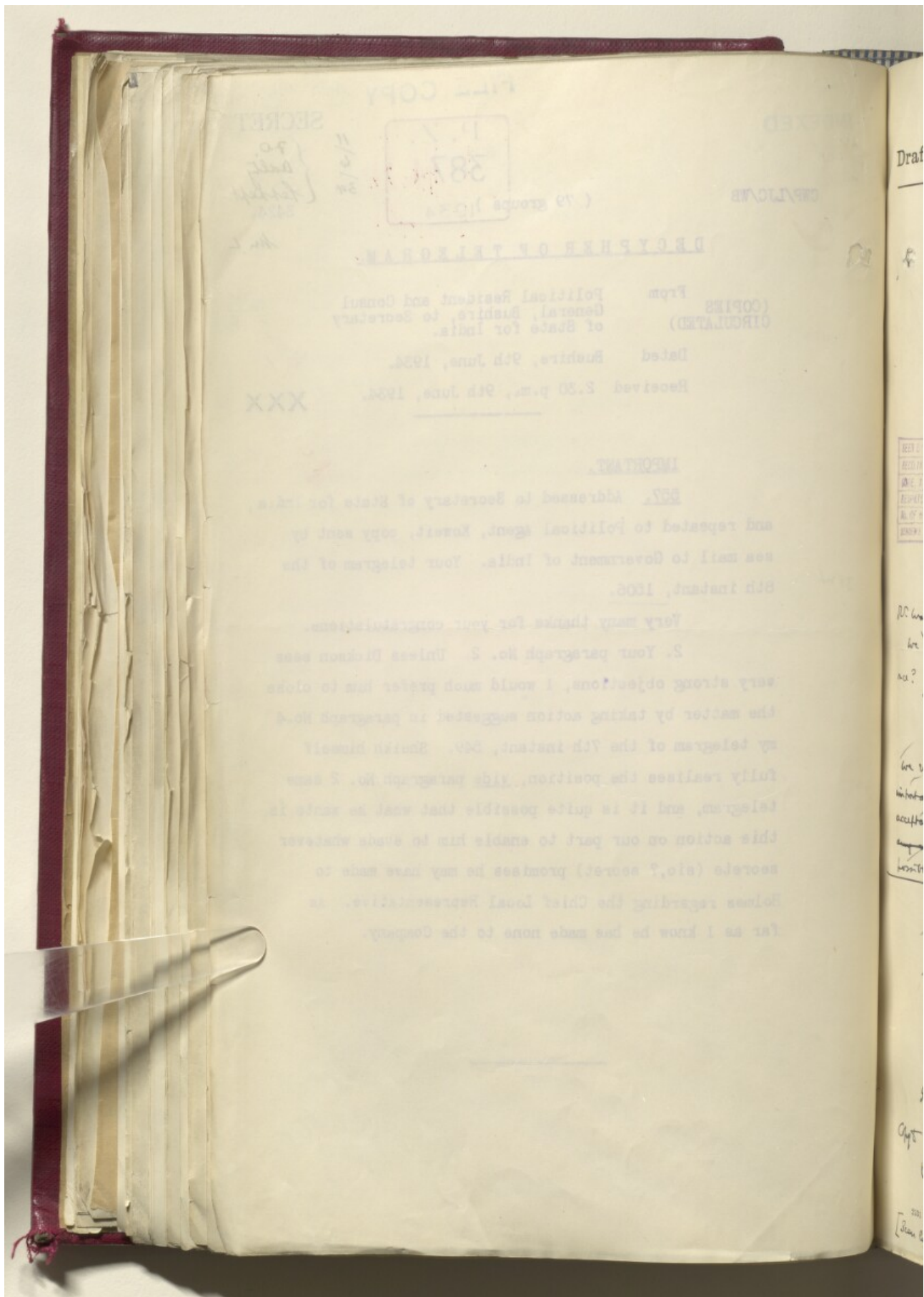
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embodied in the Commercial Agreement. We had of course made it clear that we would give full weight to the Sheikh's wishes in connection with any appointment.

The Company's representatives agreed to consider urgently the question of sending out the Company's principals to Koweit. They undertook to inform the I.O. as soon as they had reached a decision and not to recall Major Holmes and Mr. Chisholm without consulting the I.O. again. If the decision was in favour of despatching the principals, no previous warning would be given to the negotiators, who would be informed by telegram that the principals were leaving.









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6 lines
PZ. 3824
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164

Draft Paper. POLITICAL Department.

DRAFT TELEGRAM.

From Secretary of State
Adm to Political Resident, Bushire. *No.*
Repeated Political Agent, Koweit. *No.*
Copy by air mail to G. of I. *1506*
1507

Cypher xxx

Important.

Your telegrams dated 7th June, 548 and 550. Koweit Oil. We heartily congratulate you and Dickson on your skill in disposing of difficulties over clauses 11A(d) and 20 and over Chief Local Representative.

2. Para. 4 of your telegram 549. We agree, but would see no objection to adoption of more cumbersome procedure suggested by Sheikh if *and would not involve delay* this would ease matters with latter.

3. Para. 1 of your telegram 550. Question has now been further discussed with Company. For your very confidential information, they are considering immediate despatch to Koweit of principals to take over negotiations and have undertaken not to recall Holmes and Chisholm without consultation with us. We will keep you informed of developments and would appreciate immediate telegraphic report of any developments in Koweit.

SEEN BY *5* DATE *8/6/34* TIME *6:30 PM*
RECD. IN TEL. OFF. *5:30 PM*
CODE, X or XX
DESPATCHED *8/6* *5:00 PM*
NO. OF MESSAGES *156, 157*
SENDER'S INITIALS *236*

Mr. Walton
Ind. 8/6
We might send this note?
7.9.2 8/6

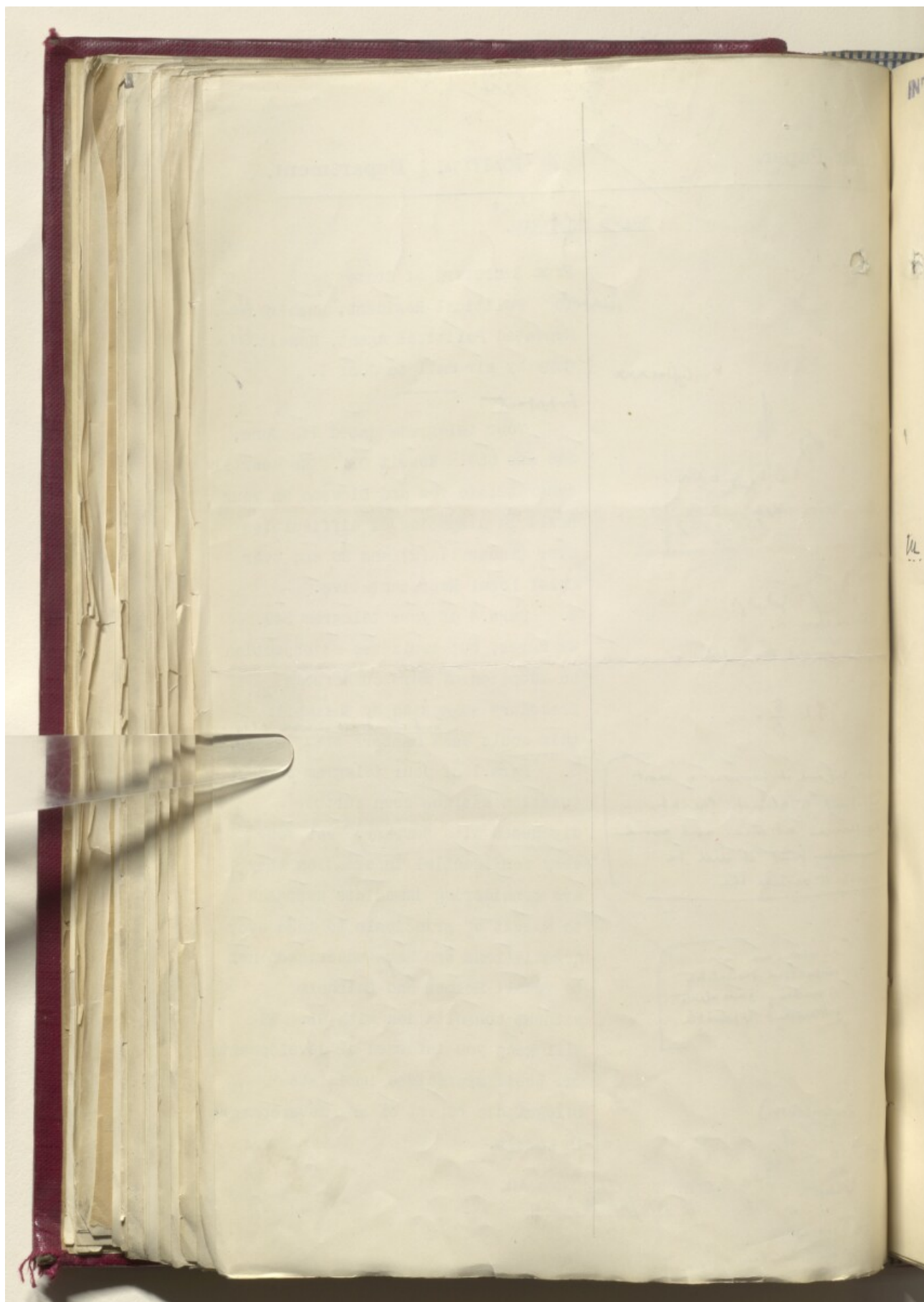
We regard it however as most important to clinch Sheikh's acceptance at once and avoid any risk that it will be possible to secure this.

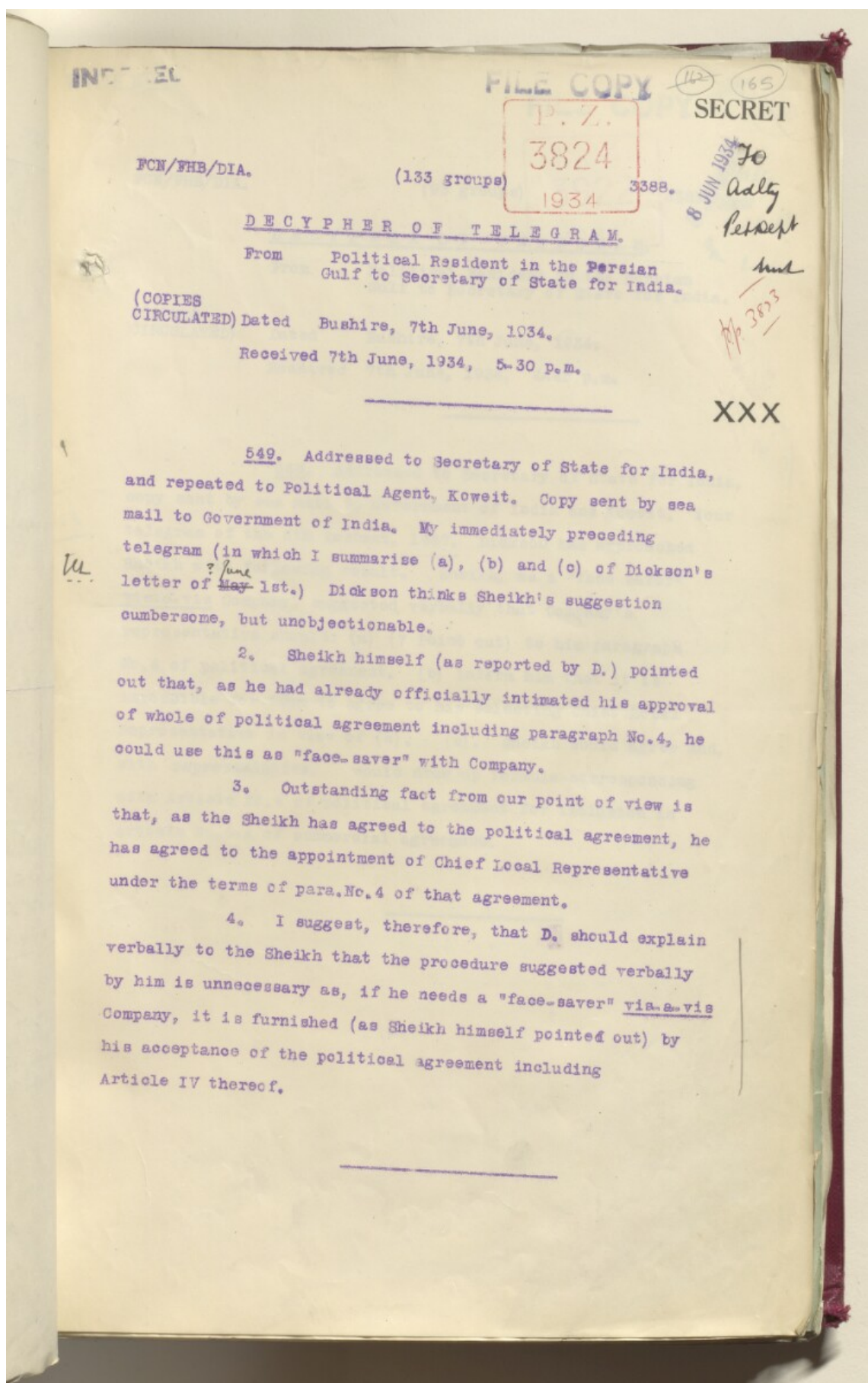
on whom we have impressed desirability of reaching immediate settlement if possible.

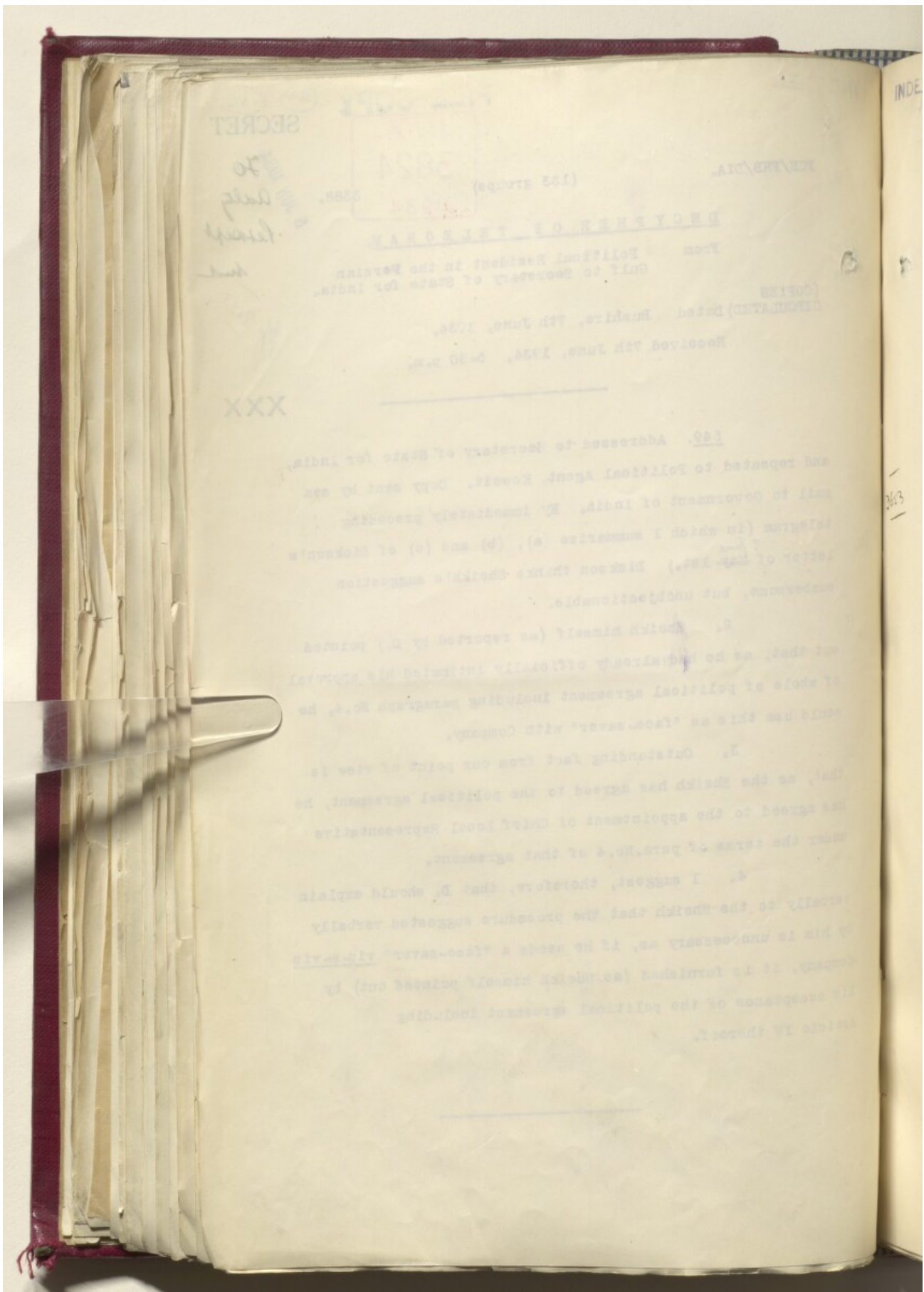
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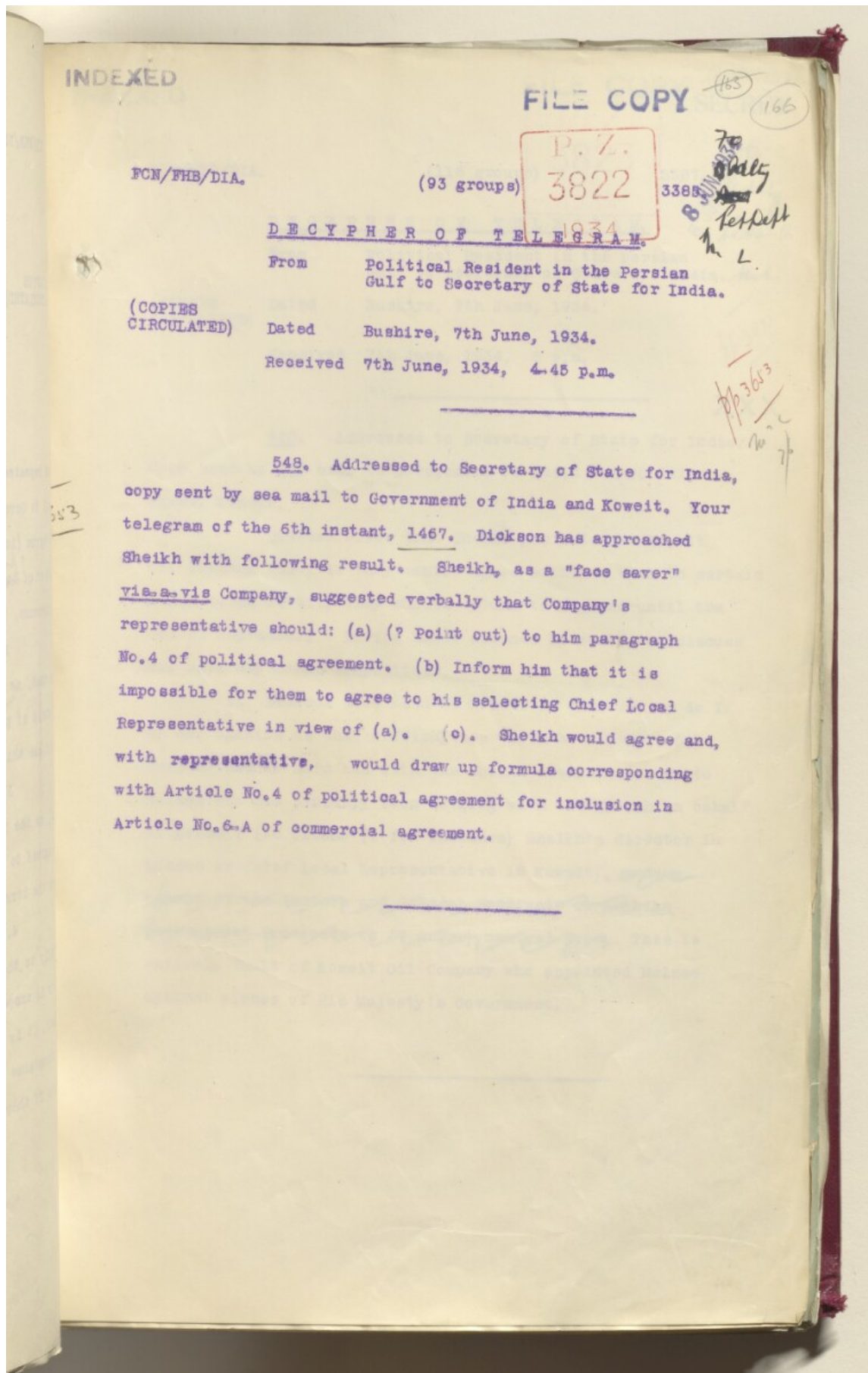
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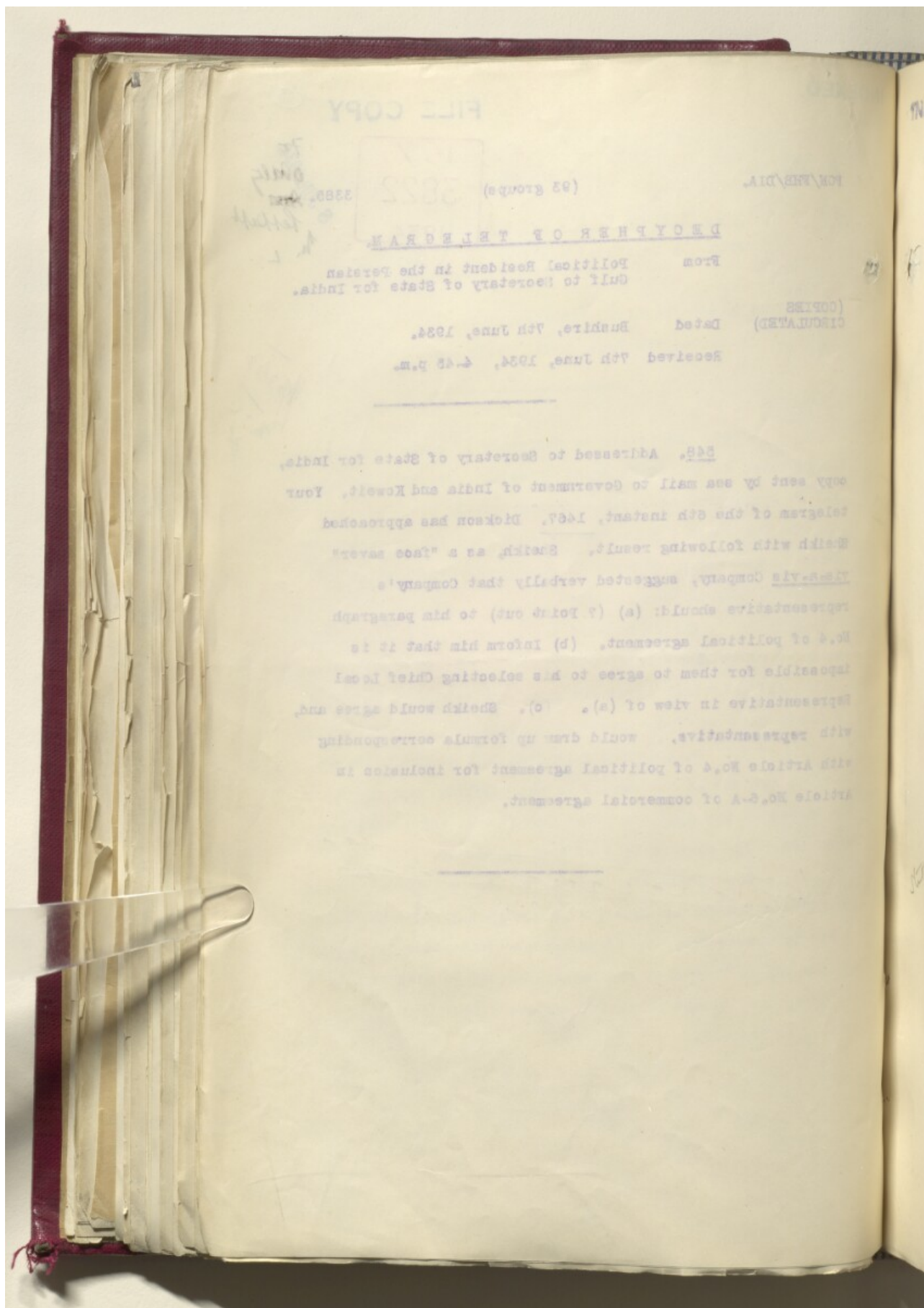
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Recd By Sir L. Kitchin 8/6 9.12













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LJS/ETP/DIA. (118 groups) 3823 1934

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED) Dated Bushire, 7th June, 1934.

Received 7th June, 1934, 5 p.m.

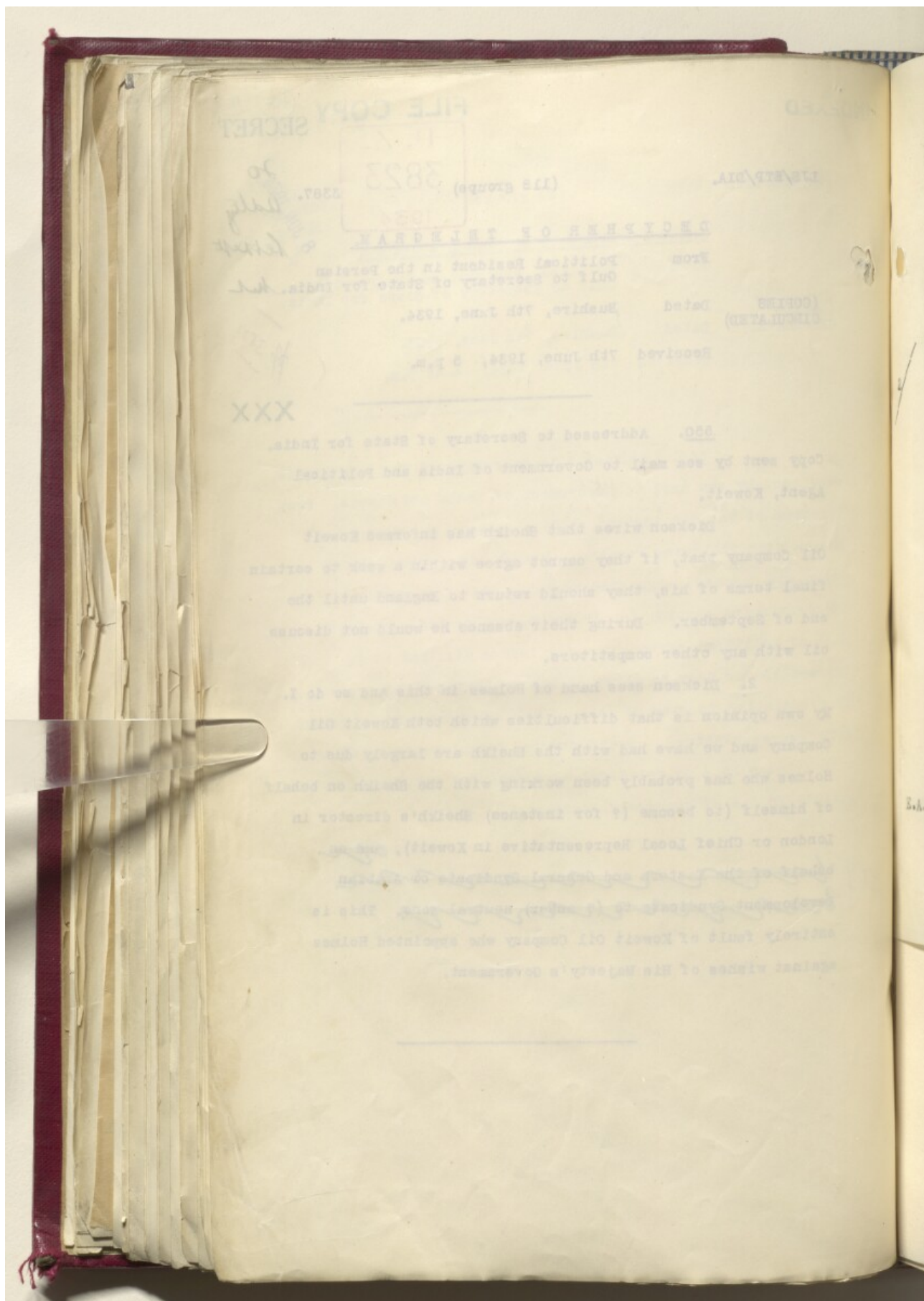
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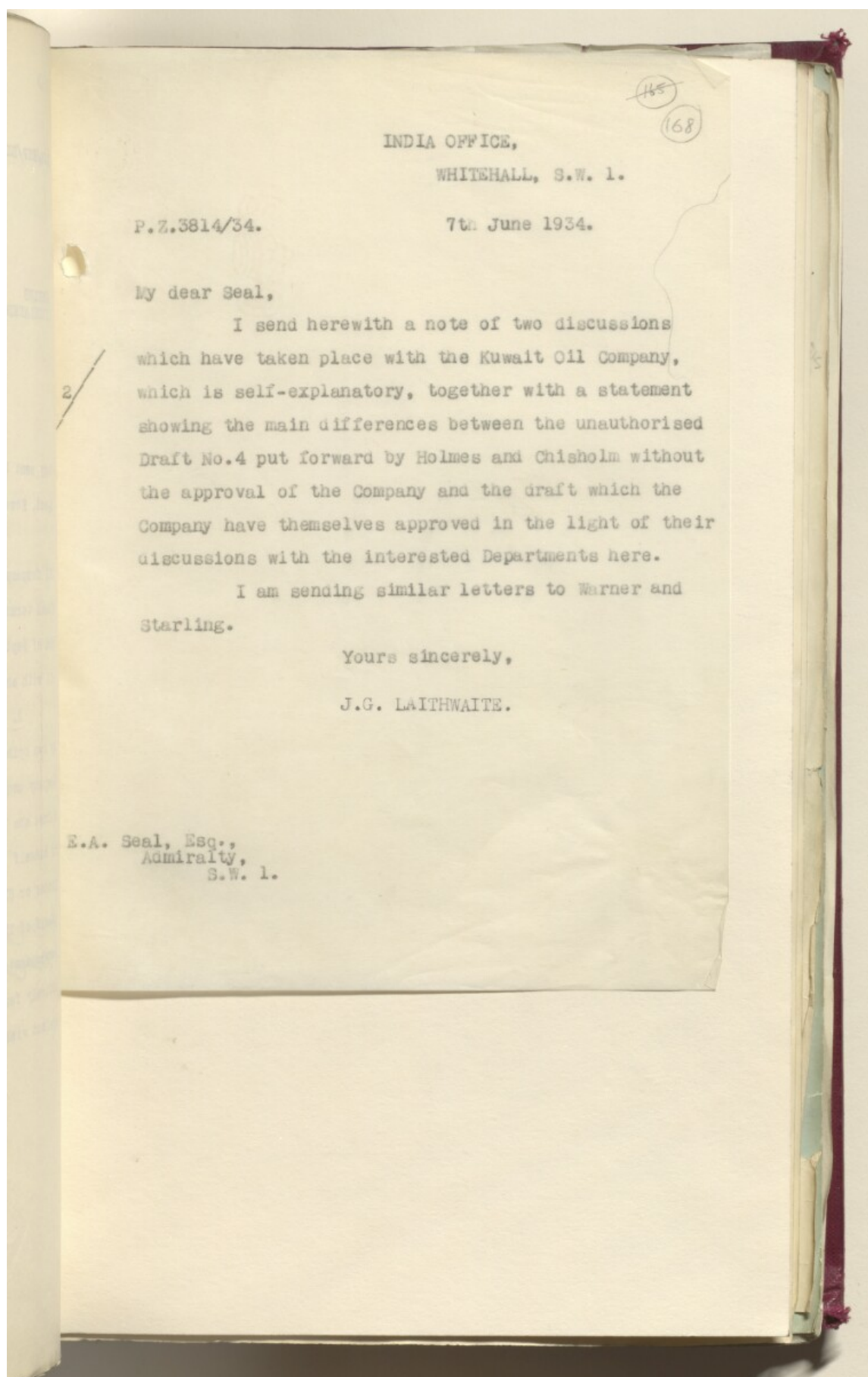
XXX

550. Addressed to Secretary of State for India.
Copy sent by sea mail to Government of India and Political Agent, Koweit.

Dickson wires that Sheikh has informed Koweit Oil Company that, if they cannot agree within a week to certain final terms of his, they should return to England until the end of September. During their absence he would not discuss oil with any other competitors.

2. Dickson sees hand of Holmes in this and so do I. My own opinion is that difficulties which both Koweit Oil Company and we have had with the Sheikh are largely due to Holmes who has probably been working with the Sheikh on behalf of himself (to become (? for instance) Sheikh's director in London or Chief Local Representative in Koweit), and on behalf of the Eastern and General Syndicate of Arabian Development Syndicate to (? enter) neutral zone. This is entirely fault of Koweit Oil Company who appointed Holmes against wishes of His Majesty's Government.





INDIA OFFICE,
WHITEHALL, S.W. 1.

P.Z.3814/34.

7th June 1934.

My dear Seal,

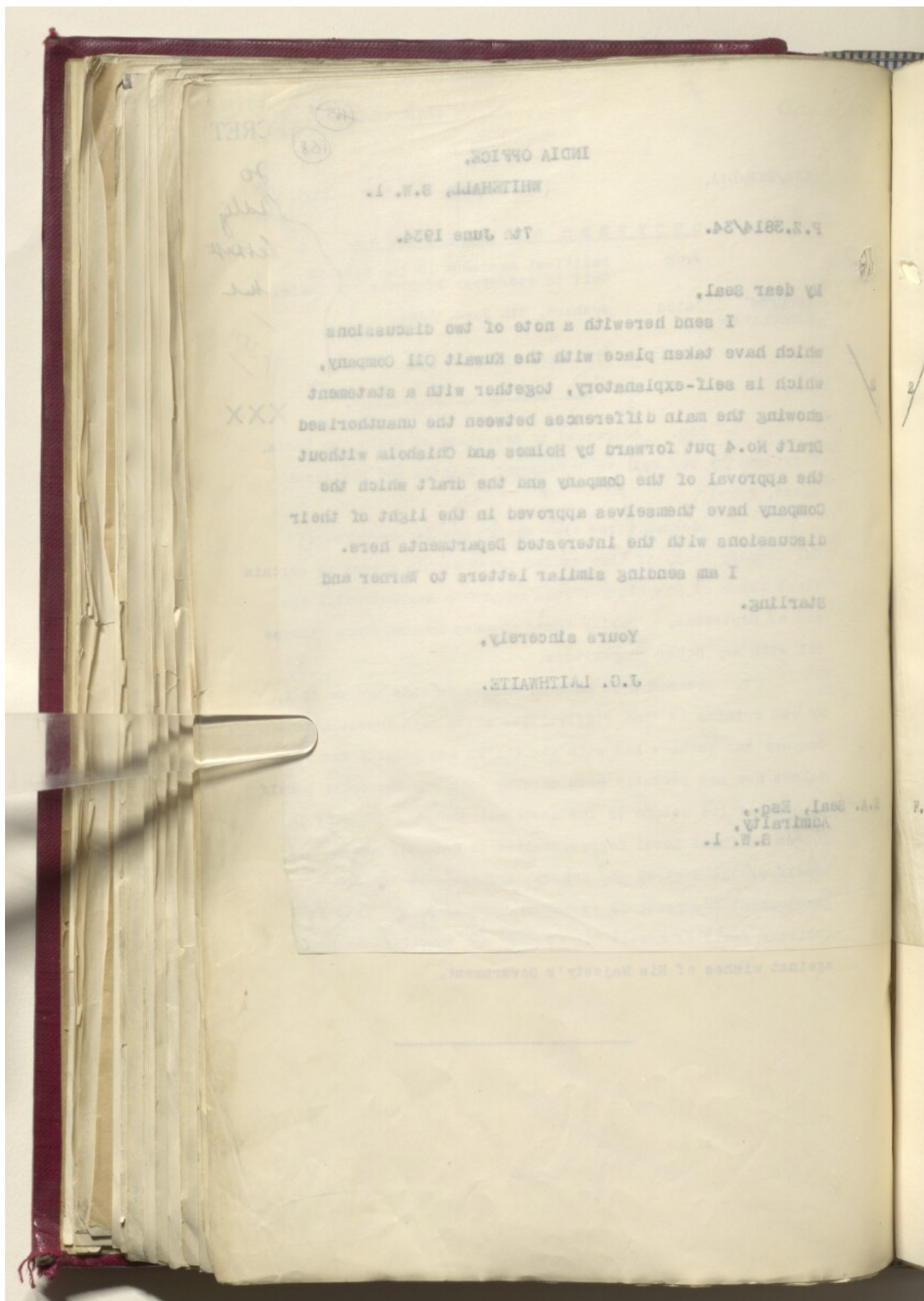
I send herewith a note of two discussions which have taken place with the Kuwait Oil Company, which is self-explanatory, together with a statement showing the main differences between the unauthorised Draft No.4 put forward by Holmes and Chisholm without the approval of the Company and the draft which the Company have themselves approved in the light of their discussions with the interested Departments here.

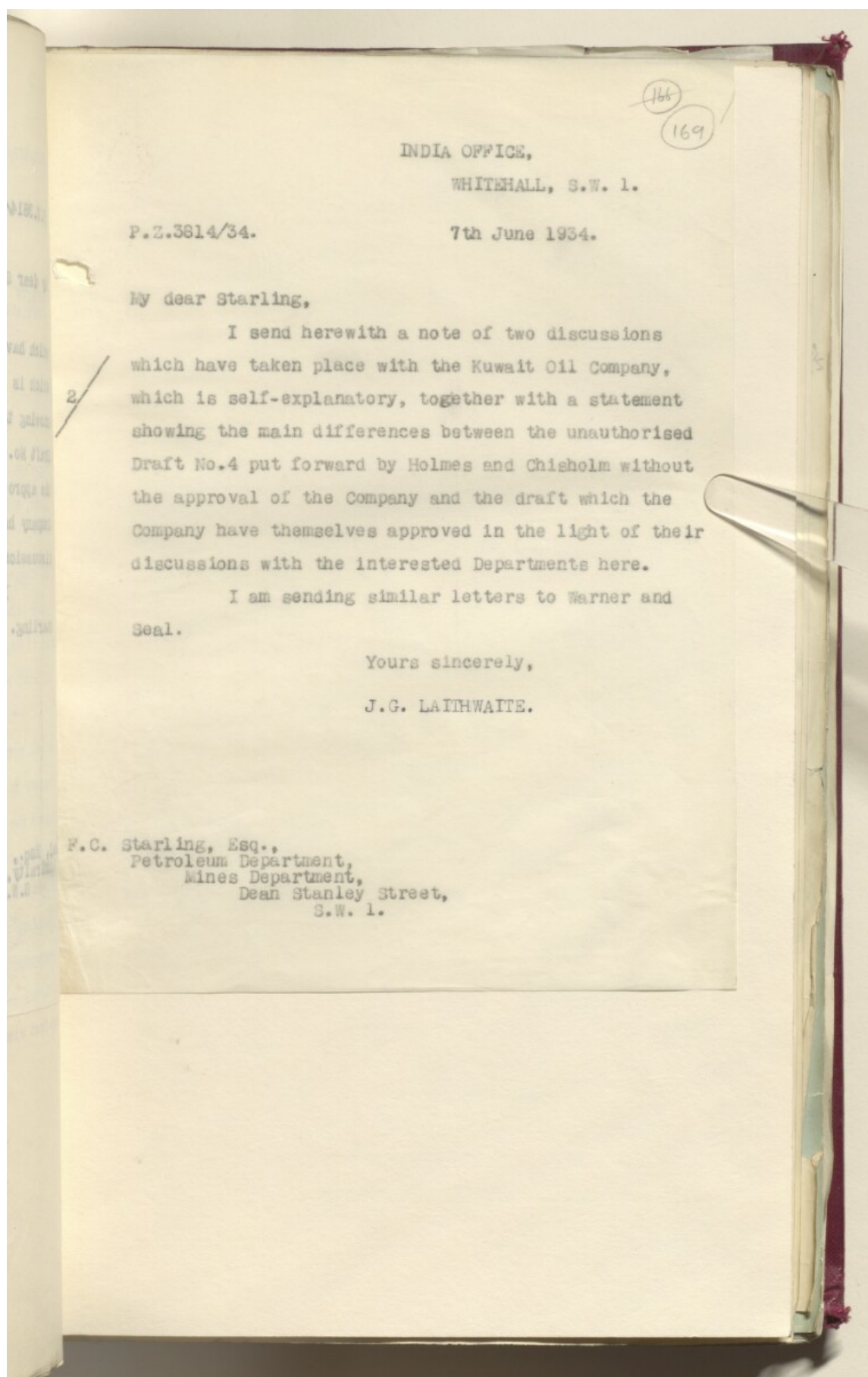
I am sending similar letters to Warner and Starling.

Yours sincerely,

J.G. LAITHWAITE.

E.A. Seal, Esq.,
Admiralty,
S.W. 1.





INDIA OFFICE,
WHITEHALL, S.W. 1.

P.Z.3814/34.

7th June 1934.

My dear Starling,

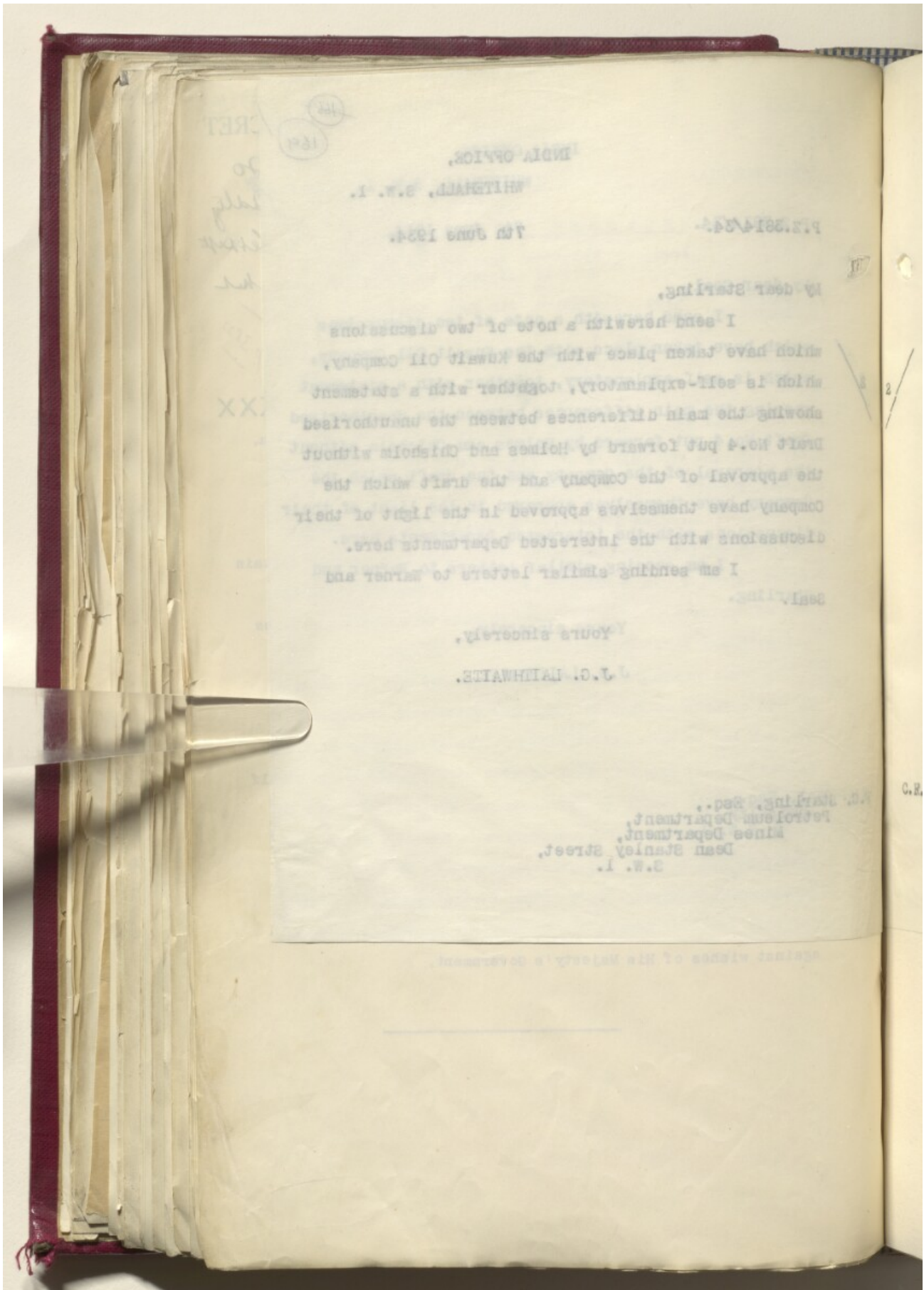
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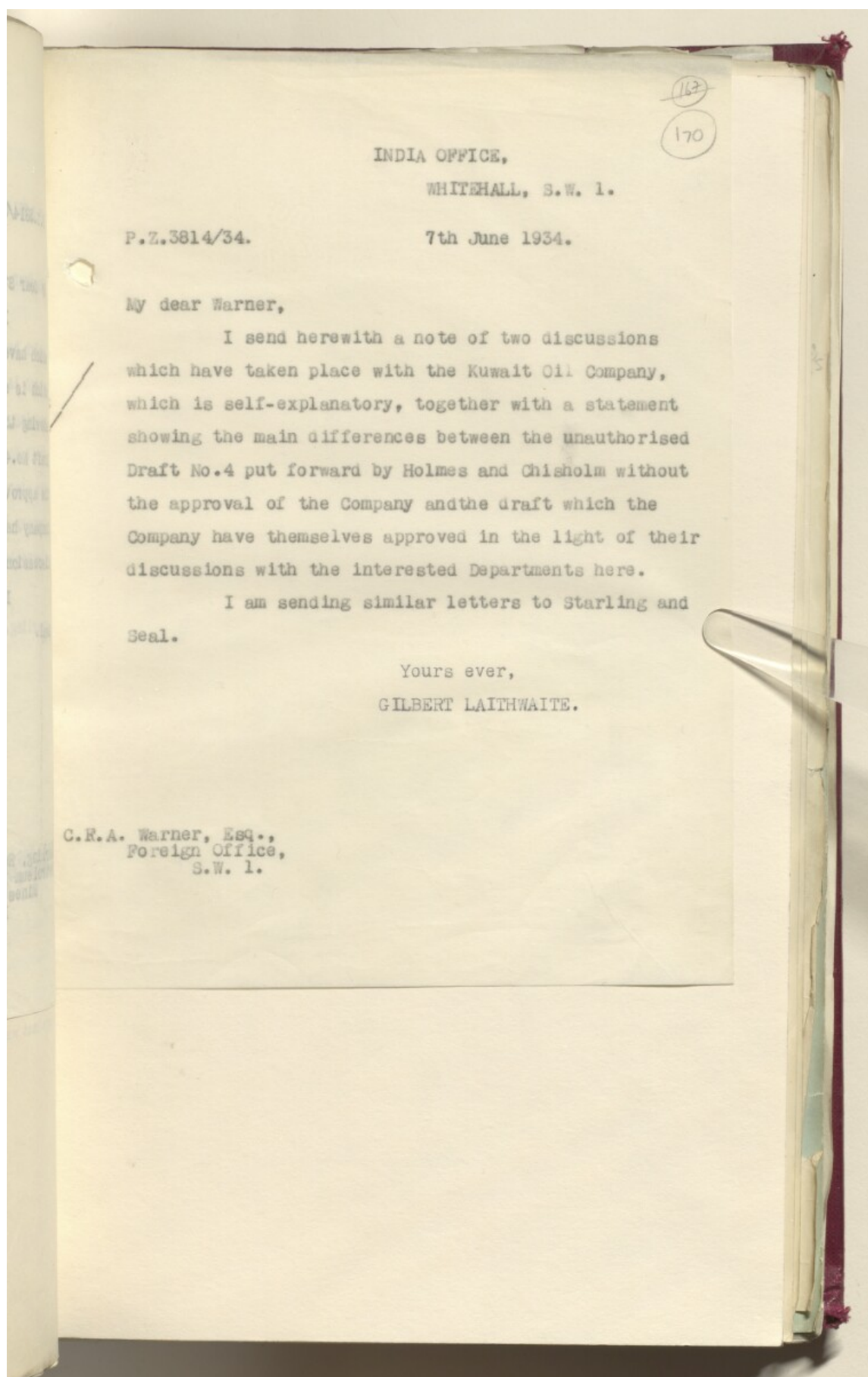
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Yours sincerely,

J.G. LAITHWAITE.

F.C. Starling, Esq.,
Petroleum Department,
Mines Department,
Dean Stanley Street,
S.W. 1.





INDIA OFFICE,
WHITEHALL, S.W. 1.

P.Z.3814/34.

7th June 1934.

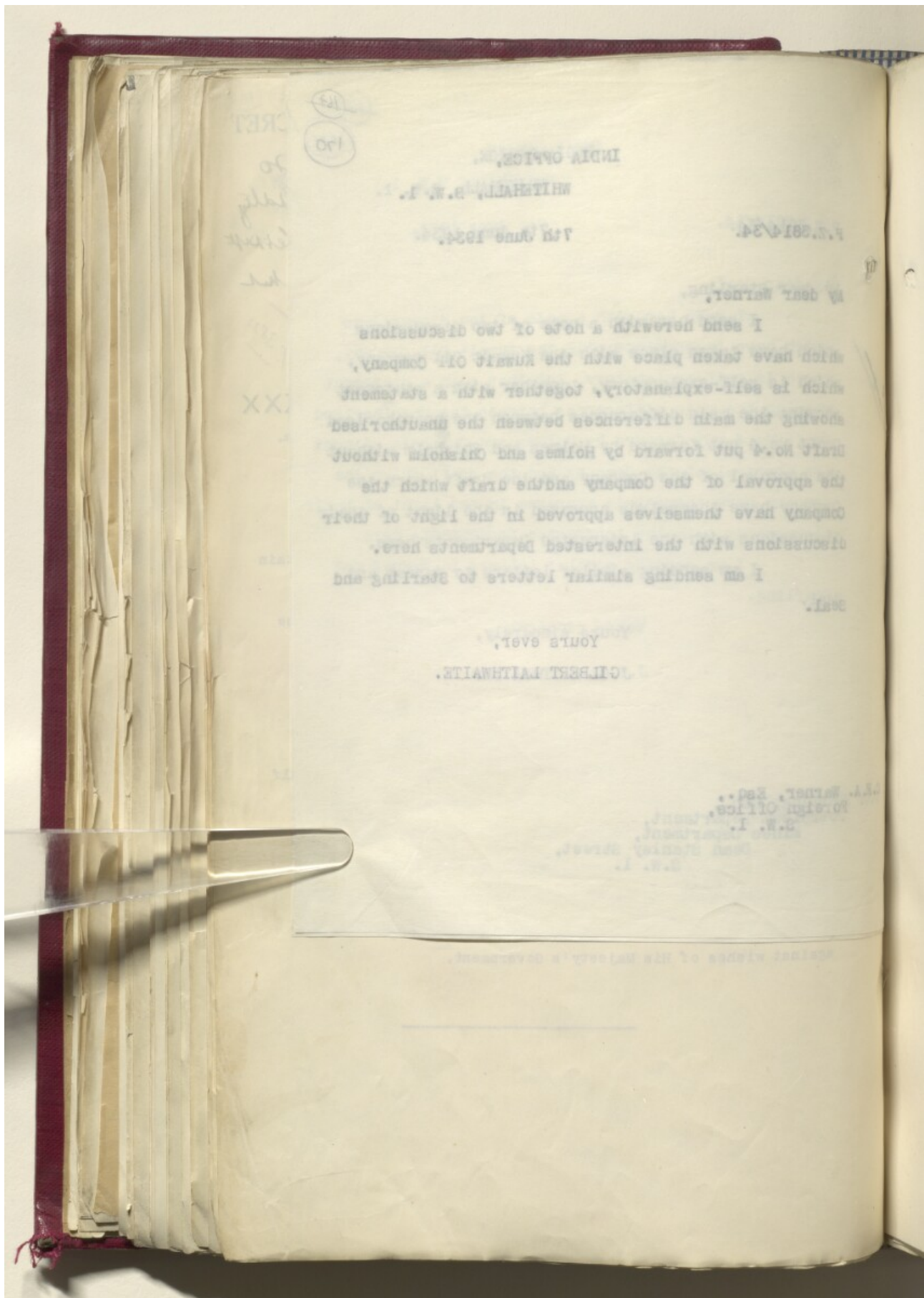
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I am sending similar letters to Starling and Seal.

Yours ever,
GILBERT LAITHWAITE.

C.R.A. Warner, Esq.,
Foreign Office,
S.W. 1.





P.Z.3793/34.

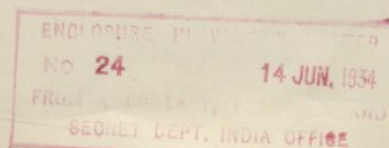
Confidential.

India Office.

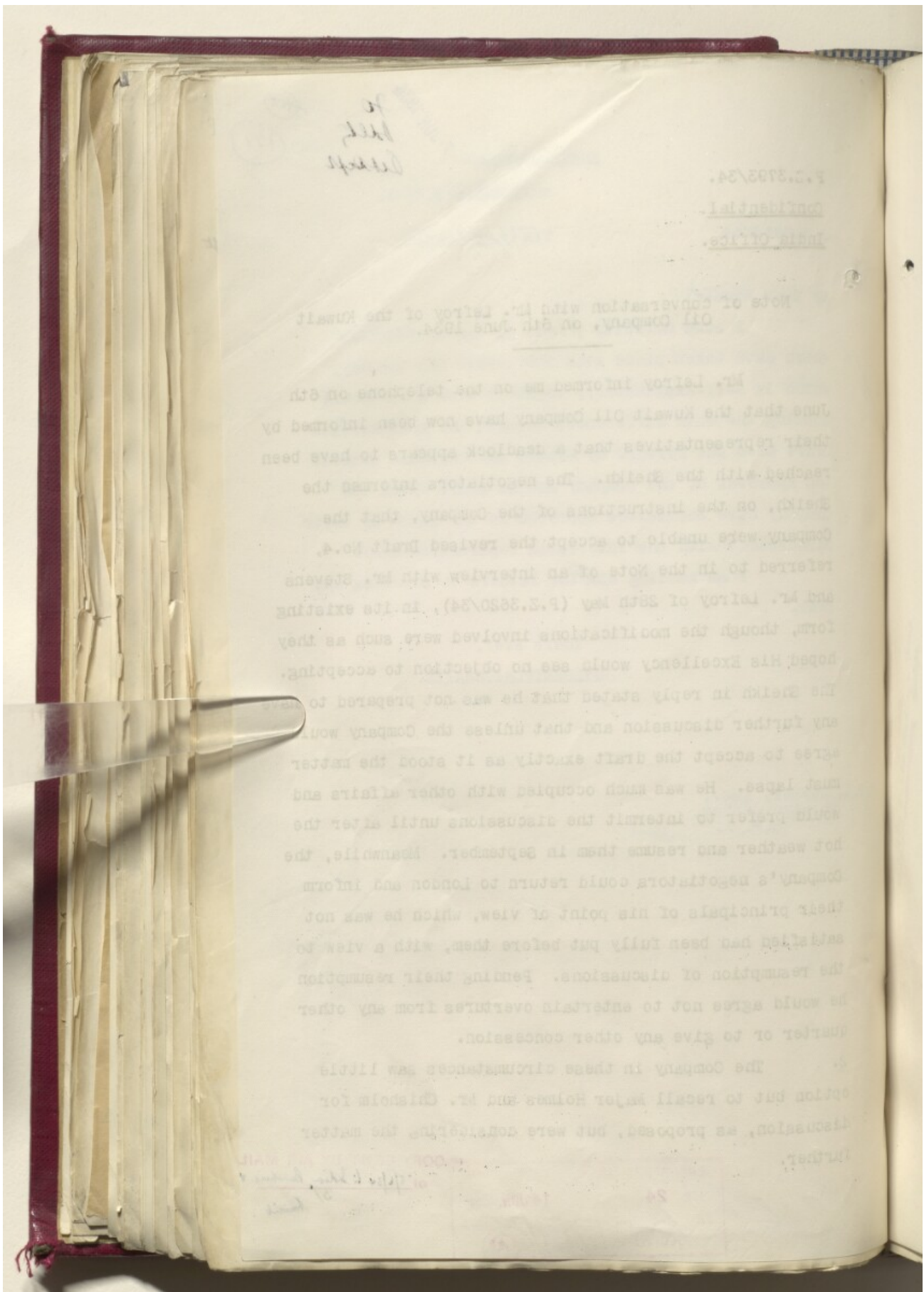
Note of conversation with Mr. Lefroy of the Kuwait Oil Company, on 6th June 1934.

Mr. Lefroy informed me on the telephone on 6th June that the Kuwait Oil Company have now been informed by their representatives that a deadlock appears to have been reached with the Sheikh. The negotiators informed the Sheikh, on the instructions of the Company, that the Company were unable to accept the revised Draft No.4, referred to in the Note of an interview with Mr. Stevens and Mr. Lefroy of 28th May (P.Z.3620/34), in its existing form, though the modifications involved were such as they hoped His Excellency would see no objection to accepting. The Sheikh in reply stated that he was not prepared to have any further discussion and that unless the Company would agree to accept the draft exactly as it stood the matter must lapse. He was much occupied with other affairs and would prefer to intermit the discussions until after the hot weather and resume them in September. Meanwhile, the Company's negotiators could return to London and inform their principals of his point of view, which he was not satisfied had been fully put before them, with a view to the resumption of discussions. Pending their resumption he would agree not to entertain overtures from any other quarter or to give any other concession.

2. The Company in these circumstances saw little option but to recall Major Holmes and Mr. Chisholm for discussion, as proposed, but were considering the matter further.



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of 15/6/34 to India Office
3/ Kuwait





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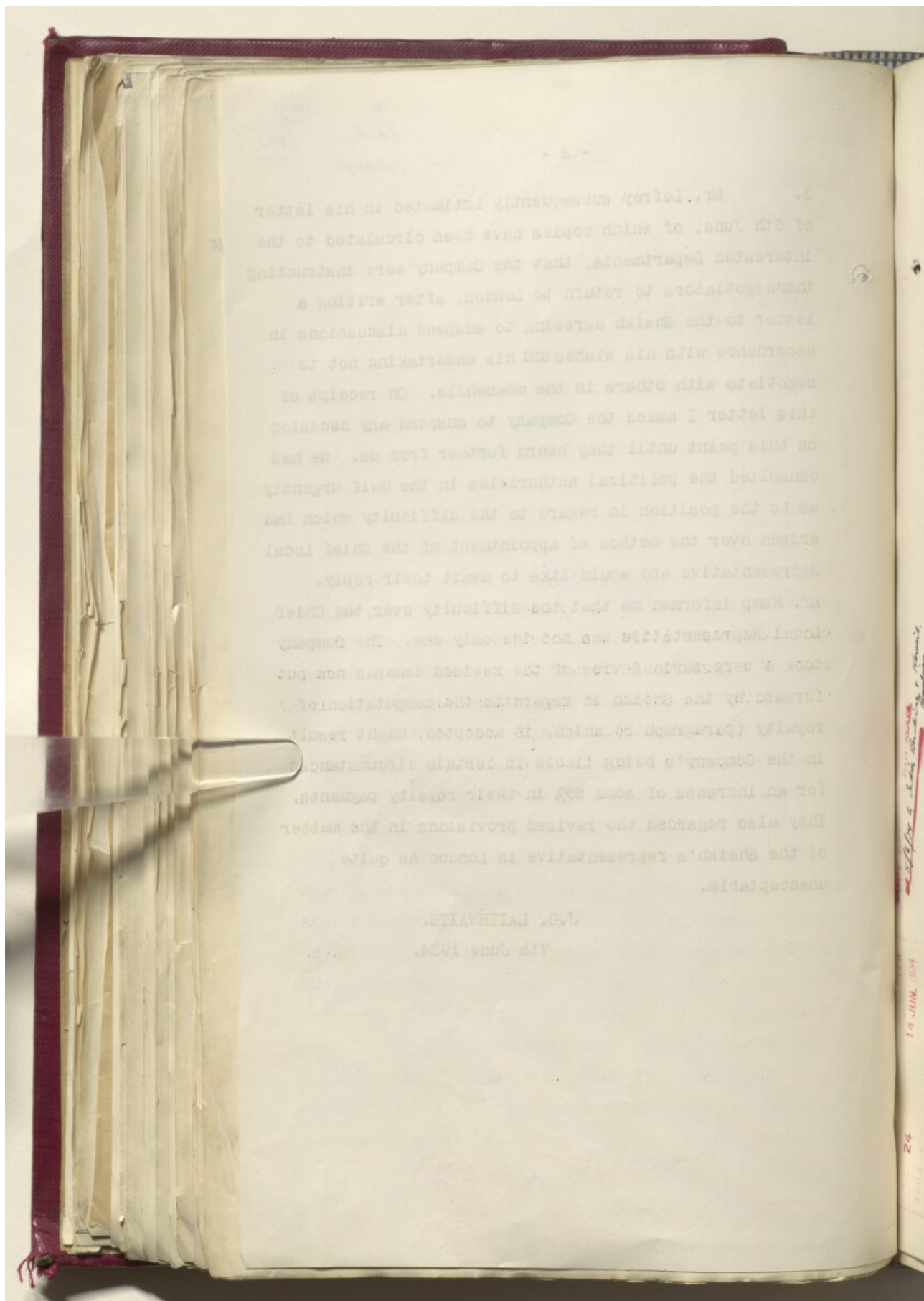
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3. Mr. Lefroy subsequently intimated in his letter of 6th June, of which copies have been circulated to the interested Departments, that the Company were instructing their negotiators to return to London, after writing a letter to the Sheikh agreeing to suspend discussions in accordance with his wishes and his undertaking not to negotiate with others in the meanwhile. On receipt of this letter I asked the Company to suspend any decision on this point until they heard further from us. We had consulted the political authorities in the Gulf urgently as to the position in regard to the difficulty which had arisen over the method of appointment of the Chief Local Representative and would like to await their reply.

Mr. Kemp informed me that the difficulty over the Chief Local Representative was not the only one. The Company took a very serious view of the revised demands now put forward by the Sheikh in regard to the computation of royalty (paragraph 3) which, if accepted, might result in the Company's being liable in certain circumstances for an increase of some 20% in their royalty payments. They also regarded the revised provisions in the matter of the Sheikh's representative in London as quite unacceptable.

J.G. LAITHWAITE.

7th June 1934.





P.Z.3814/34.

KOWEIT OIL.

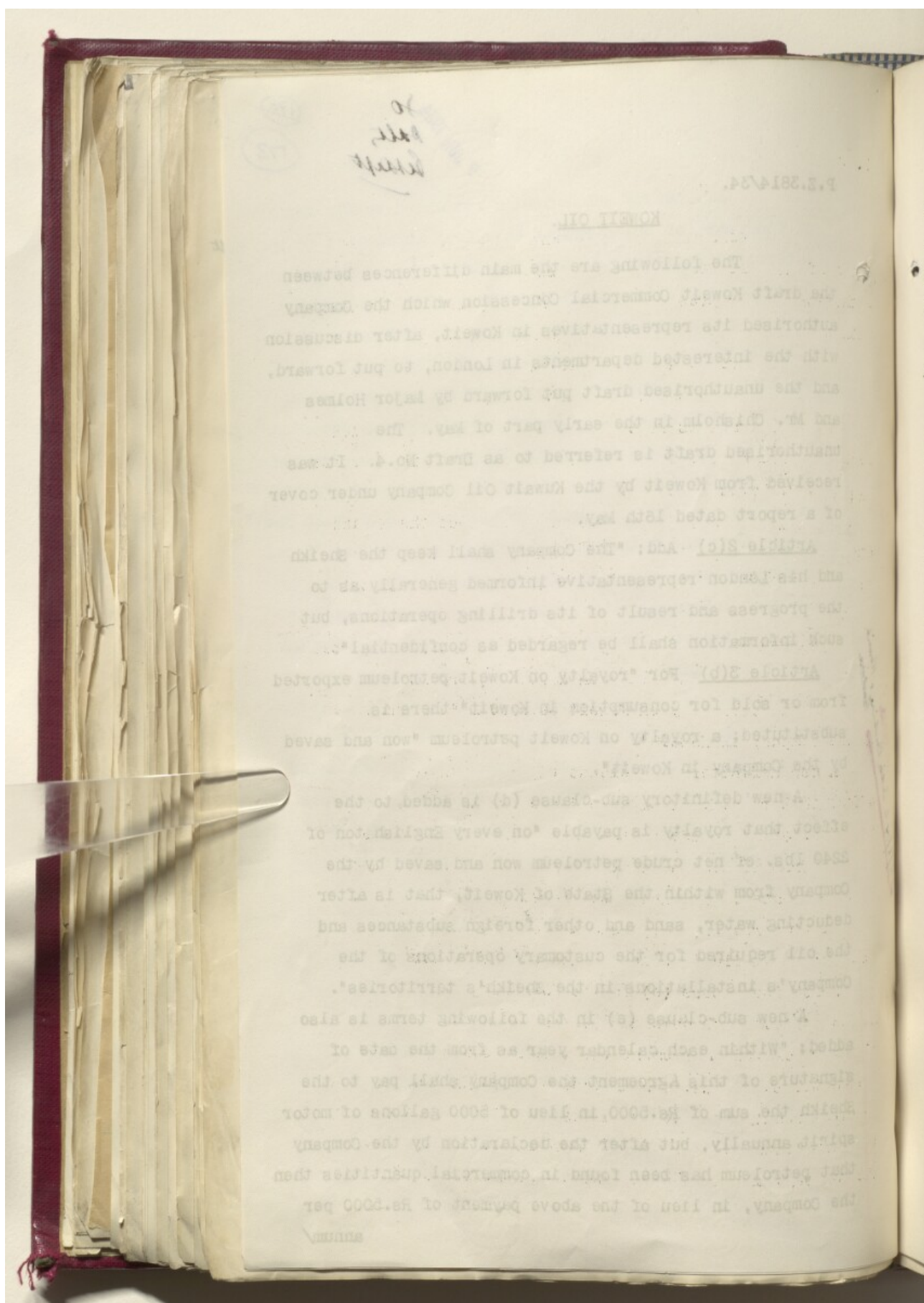
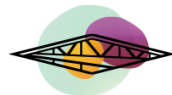
The following are the main differences between the draft Koweit Commercial Concession which the Company authorised its representatives in Koweit, after discussion with the interested departments in London, to put forward, and the unauthorised draft put forward by Major Holmes and Mr. Chisholm in the early part of May. The unauthorised draft is referred to as Draft No.4. It was received from Koweit by the Kuwait Oil Company under cover of a report dated 16th May.

Article 2(c) Add: "The Company shall keep the Sheikh and his London representative informed generally as to the progress and result of its drilling operations, but such information shall be regarded as confidential".

Article 3(b) For "royalty on Koweit petroleum exported from or sold for consumption in Koweit" there is substituted: a royalty on Koweit petroleum "won and saved by the Company in Koweit".

A new definitory sub-clause (d) is added, to the effect that royalty is payable "on every English ton of 2240 lbs. of net crude petroleum won and saved by the Company from within the State of Koweit, that is after deducting water, sand and other foreign substances and the oil required for the customary operations of the Company's installations in the Sheikh's territories".

A new sub-clause (e) in the following terms is also added: "Within each calendar year as from the date of signature of this Agreement the Company shall pay to the Sheikh the sum of Rs.5000, in lieu of 5000 gallons of motor spirit, annually, but after the declaration by the Company that petroleum has been found in commercial quantities then the Company, in lieu of the above payment of Rs.5000 per annum/





- 2 -

annum, shall deliver annually to the Sheikh, free of cost in Koweit, as and when requested by the Sheikh, 10,000 English gallons of petrol of which not more than 5,000 gallons may be aviation spirit".

Article 4. Amended to read: "The Sheikh or his London representative shall have the right, etc."

Article 5.(a) Penultimate sentence amended to read "The Company at its discretion, but in consultation with the Sheikh, may select the position of any such works".

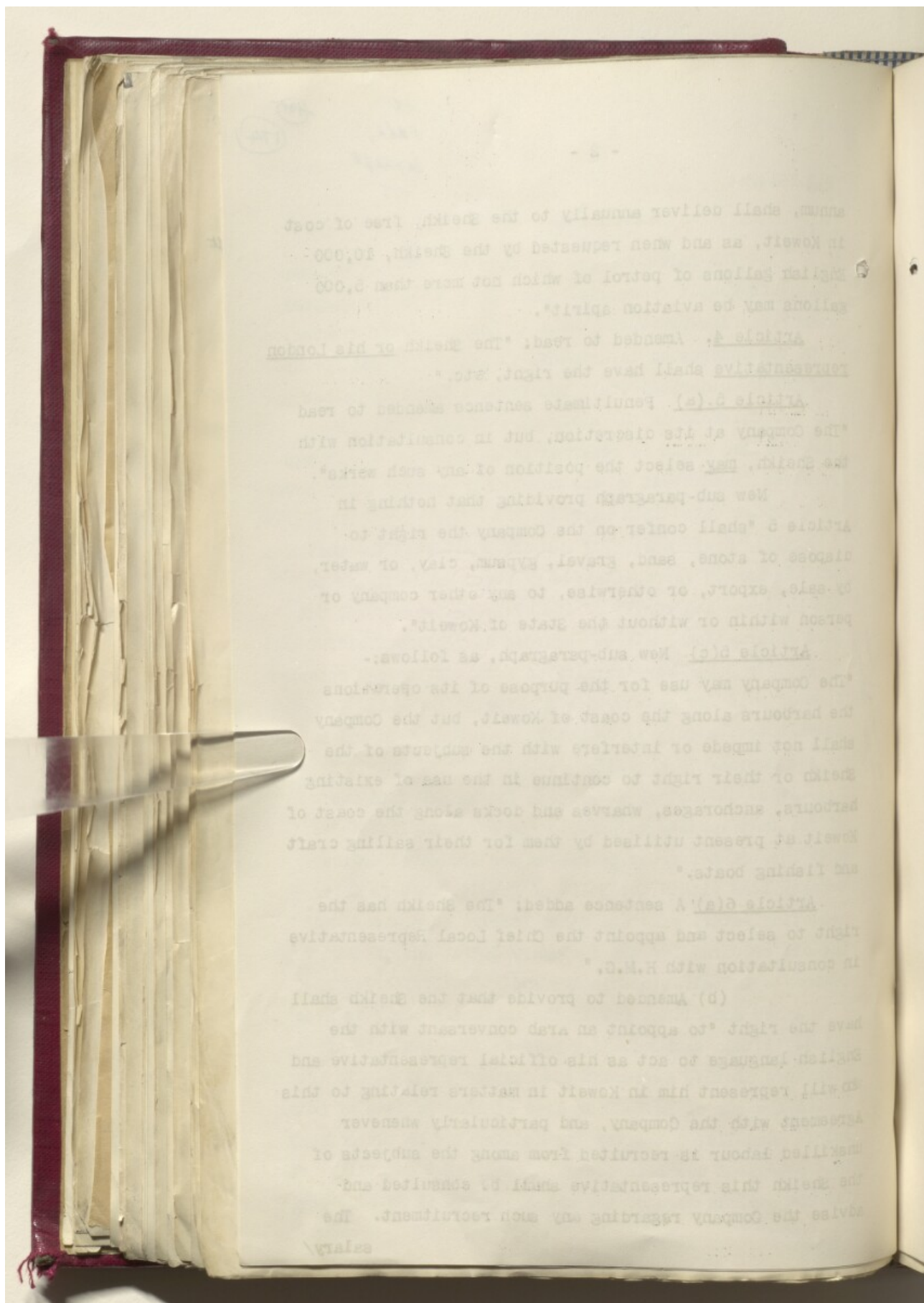
New sub-paragraph providing that nothing in Article 5 "shall confer on the Company the right to dispose of stone, sand, gravel, gypsum, clay, or water, by sale, export, or otherwise, to any other company or person within or without the State of Koweit".

Article 5(c) New sub-paragraph, as follows:-

"The Company may use for the purpose of its operations the harbours along the coast of Koweit, but the Company shall not impede or interfere with the subjects of the Sheikh or their right to continue in the use of existing harbours, anchorages, wharves and docks along the coast of Koweit at present utilised by them for their sailing craft and fishing boats."

Article 6(a) A sentence added: "The Sheikh has the right to select and appoint the Chief Local Representative in consultation with H.M.G."

(b) Amended to provide that the Sheikh shall have the right "to appoint an Arab conversant with the English language to act as his official representative and who will represent him in Koweit in matters relating to this Agreement with the Company, and particularly whenever unskilled labour is recruited from among the subjects of the Sheikh this representative shall be consulted and advise the Company regarding any such recruitment. The salary/





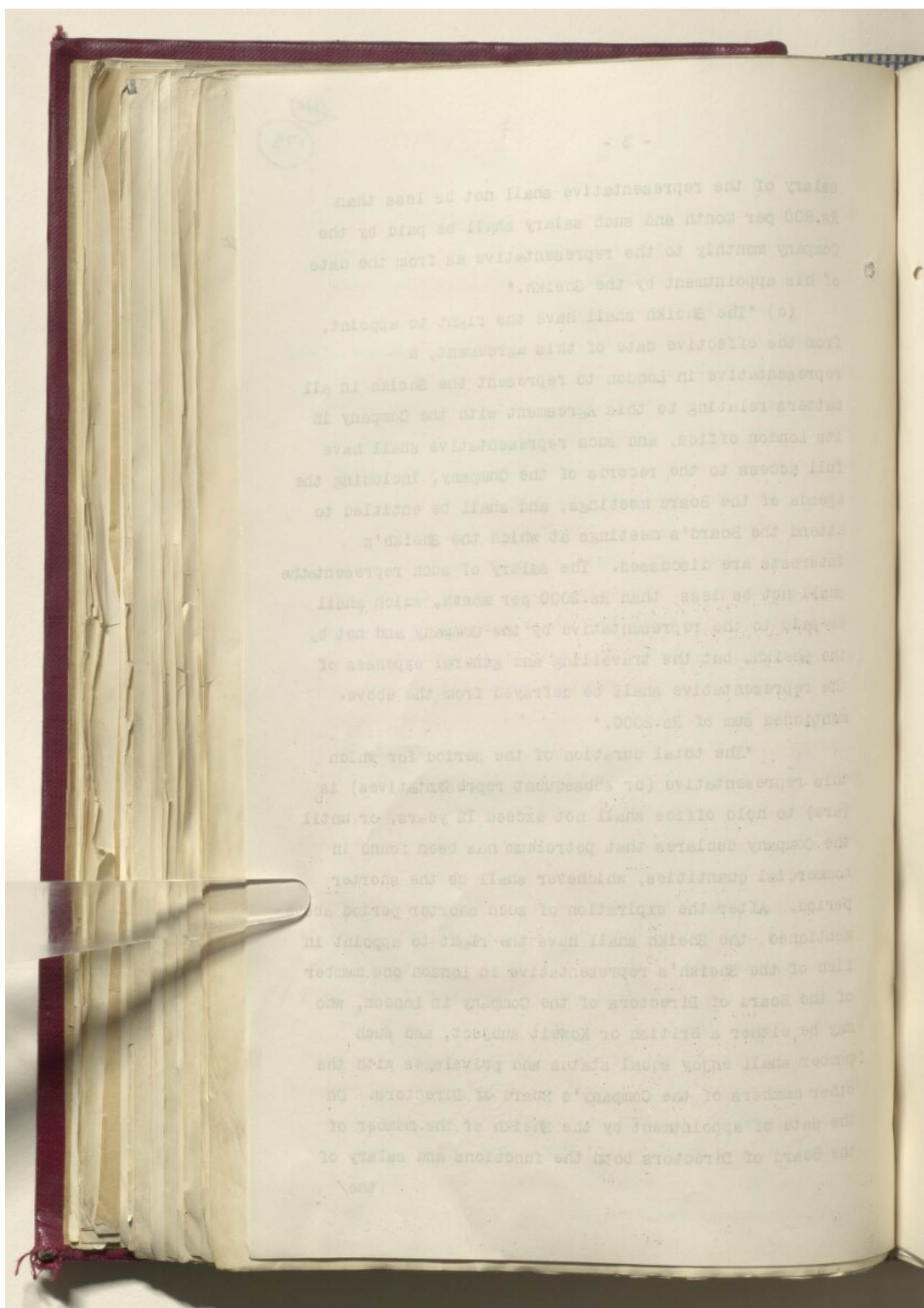
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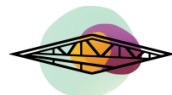
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salary of the representative shall not be less than Rs.800 per month and such salary shall be paid by the Company monthly to the representative as from the date of his appointment by the Sheikh."

(c) "The Sheikh shall have the right to appoint, from the effective date of this agreement, a representative in London to represent the Sheikh in all matters relating to this Agreement with the Company in its London office, and such representative shall have full access to the records of the Company, including the agenda of the Board meetings, and shall be entitled to attend the Board's meetings at which the Sheikh's interests are discussed. The salary of such representative shall not be less than Rs.2000 per month, which shall be paid to the representative by the Company and not by the Sheikh; but the travelling and general expenses of the representative shall be defrayed from the above-mentioned sum of Rs.2000."

"The total duration of the period for which this representative (or subsequent representatives) is (are) to hold office shall not exceed 12 years, or until the Company declares that petroleum has been found in commercial quantities, whichever shall be the shorter period. After the expiration of such shorter period above mentioned, the Sheikh shall have the right to appoint in lieu of the Sheikh's representative in London one member of the Board of Directors of the Company in London, who may be either a British or Koweit subject, and such member shall enjoy equal status and privileges with the other members of the Company's Board of Directors. On the date of appointment by the Sheikh of the member of the Board of Directors both the functions and salary of the/





- 4 -

the Sheikh's representative in London shall cease and the Company shall be automatically relieved of all further responsibility for payments to him of whatever nature."

Article 7. New clause (b). "The importation by the Company of firearms and other weapons is prohibited, except with the written permission of the Sheikh".

New clause (c). "If the Company shall sell in Koweit any material or goods previously imported into Koweit for the purposes of its operations hereunder and no longer required by the Company, the Company shall pay to the Sheikh in respect of such material or goods sold the equivalent of the import duty thereon at the rate in force at the time of sale. The duty shall be computed on the price received on sale."

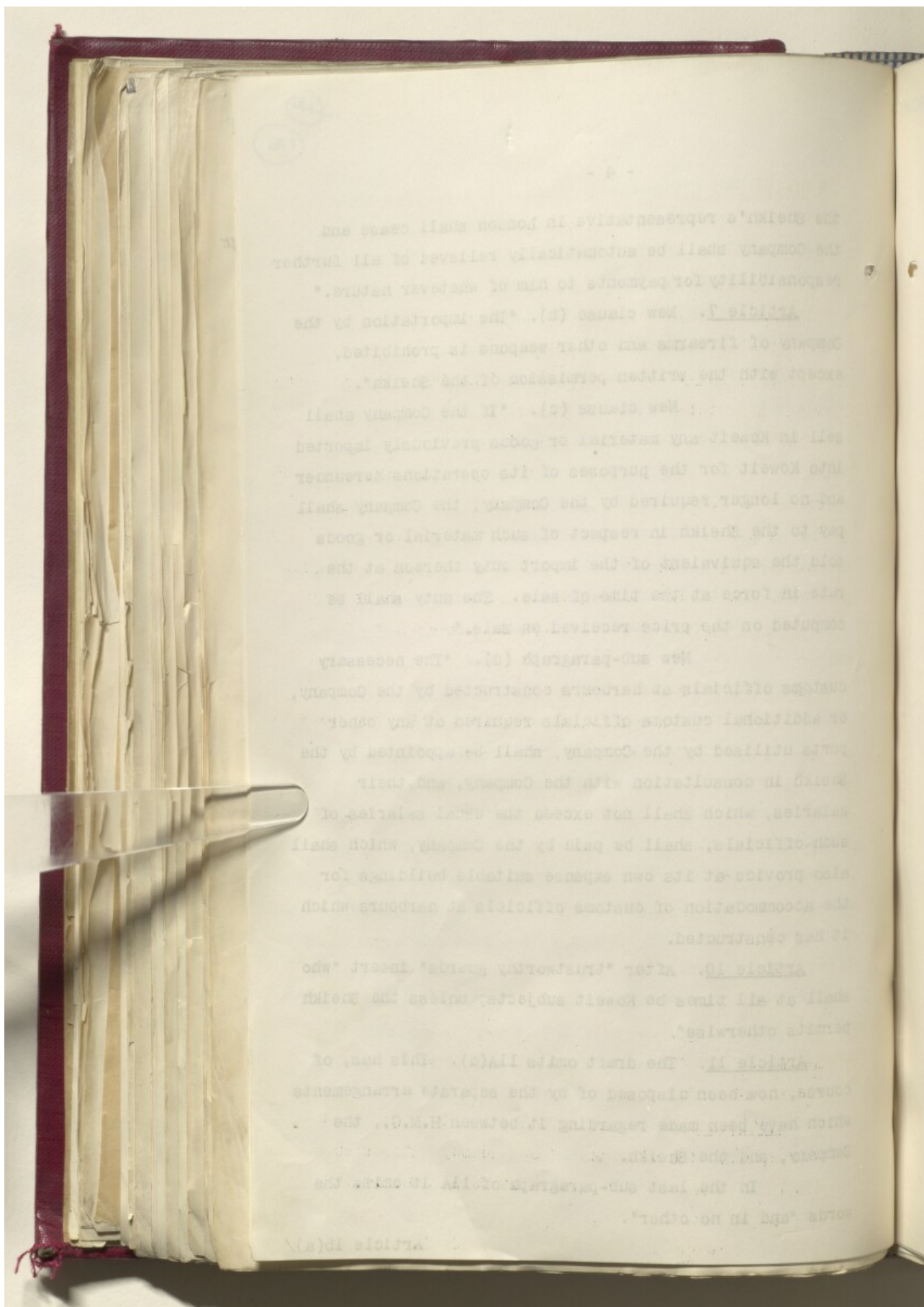
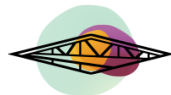
New sub-paragraph (d). "The necessary customs officials at harbours constructed by the Company, or additional customs officials required at any other ports utilised by the Company, shall be appointed by the Sheikh in consultation with the Company, and their salaries, which shall not exceed the usual salaries of such officials, shall be paid by the Company, which shall also provide at its own expense suitable buildings for the accommodation of customs officials at harbours which it has constructed.

Article 10. After "trustworthy guards" insert "who shall at all times be Koweit subjects, unless the Sheikh permits otherwise".

Article 11. The draft omits 11A(d). This has, of course, now been disposed of by the separate arrangements which have been made regarding it between H.M.G., the Company, and the Sheikh.

In the last sub-paragraph of 11A it omits the words "and in no other".

Article 15(a)/





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Article 15(a) New sub-paragraph providing that in the event of the grant by the Sheikh "at any date subsequent to the date of signature of this Agreement" of a concession for "substances other than petroleum, the Sheikh undertakes that such concession shall contain provisions requiring the holders thereof to abstain from damaging, impeding or interfering with the property, operations and interests of the Company", but that deposits of mineral substances other than petroleum, such as gold, silver, copper, lead, potash, sulphur, and salt, or the like, which may be discovered by the Company, shall be reported to the Sheikh and shall not be worked by the Company except under a special concession or permit from the Sheikh.

Article 16. A definition of force majeure has been added.

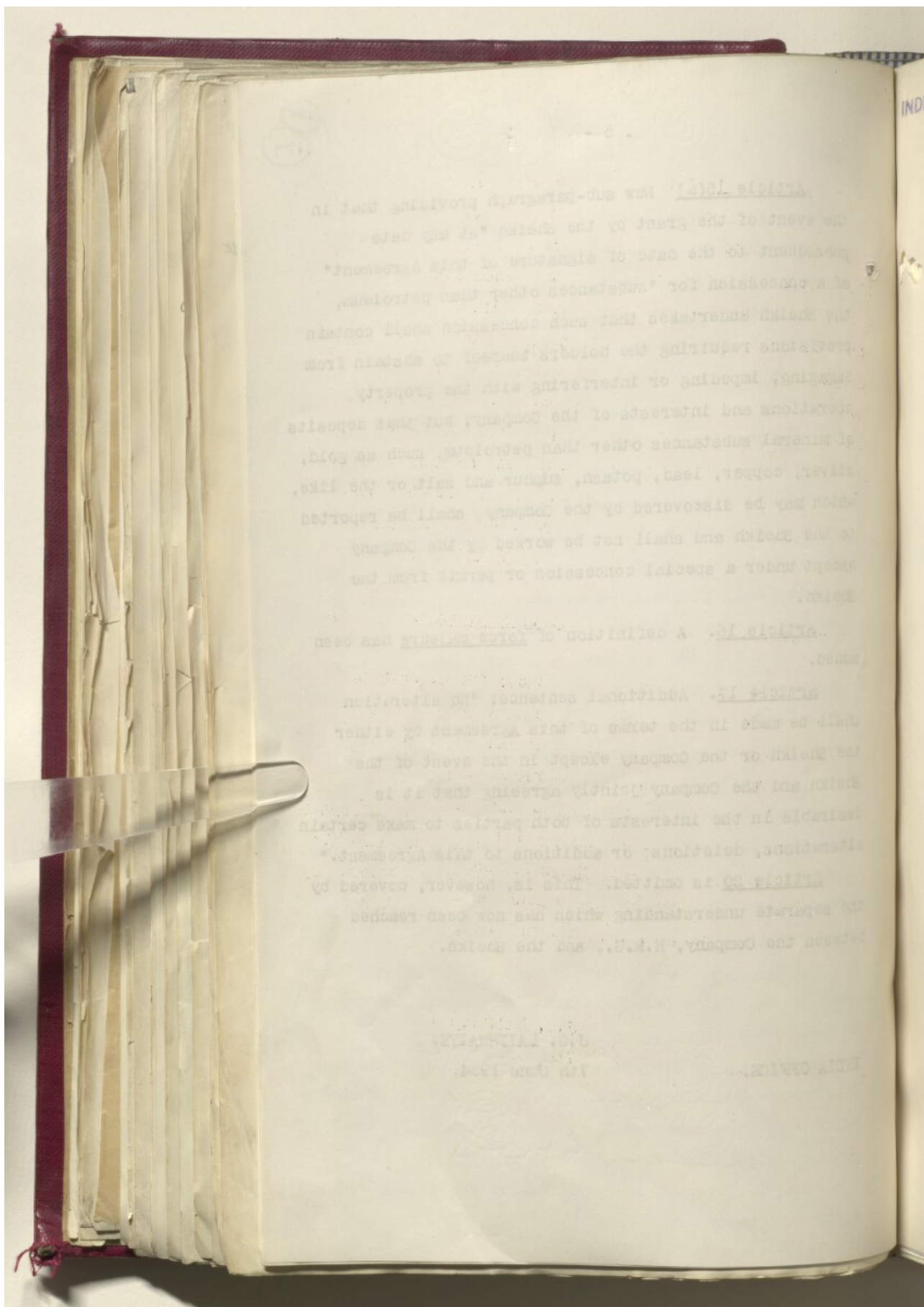
Article 17. Additional sentence: "No alteration shall be made in the terms of this Agreement by either the Sheikh or the Company except in the event of the Sheikh and the Company jointly agreeing that it is desirable in the interests of both parties to make certain alterations, deletions, or additions to this Agreement."

Article 20 is omitted. This is, however, covered by the separate understanding which has now been reached between the Company, H.M.G., and the Sheikh.

J.G. LAITHWAITE.

7th June 1934.

INDIA OFFICE.





INDEXED

P.Z.3814/34.

Britannic House,
Finsbury Circus,
London, E.C. 2.

6th June 1934.

J.G. Laithwaite, Esq.,
India Office,
S.W. 1.

Dear Laithwaite,

I apologise for the oversight in not thanking you before now for your letter of the 1st June, under reference P.Z.3653/34, relative to the recent position in Koweit.

We are glad to learn that the Shaikh has accepted the exchange of letters proposed, and have taken note of his stipulation.

We likewise find no objection in the Shaikh's stipulations, and we shall be prepared when asked officially by you to do so to give an assurance of the nature he suggests. The assurance which we can give will be that as far as the Company is concerned the contents of the letter shall be kept separate and not attached to the Concession proper, and that the letter shall not be published by the Company. It is obvious that we can give no effective guarantee against leakage, since only a few of the possible points of leakage are within our control. It is of course in no way in the interests of the Kuwait Oil Company that the terms of the letter or even its existence should be published.

Yours sincerely,

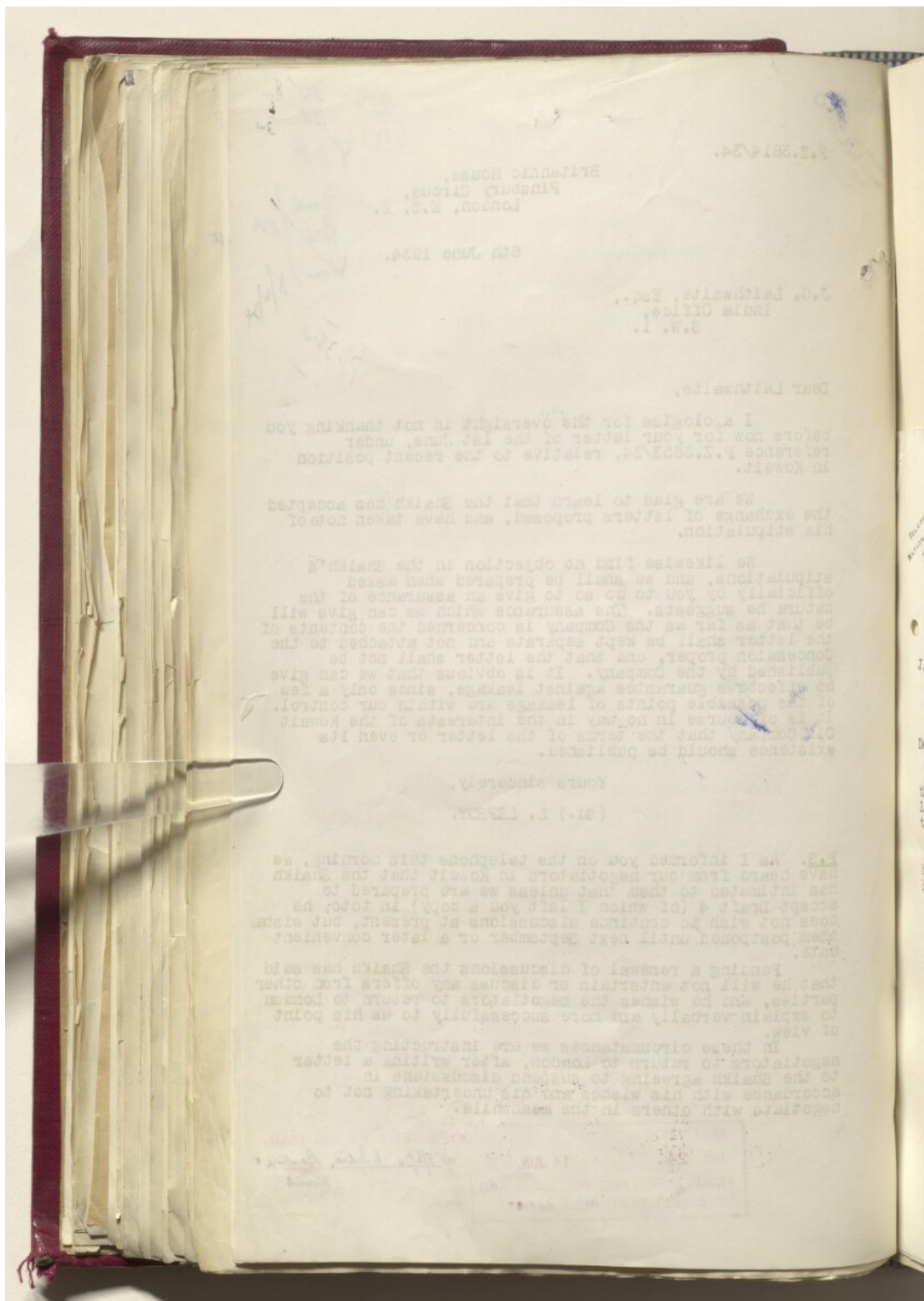
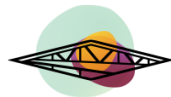
(Sd.) L. LEFROY.

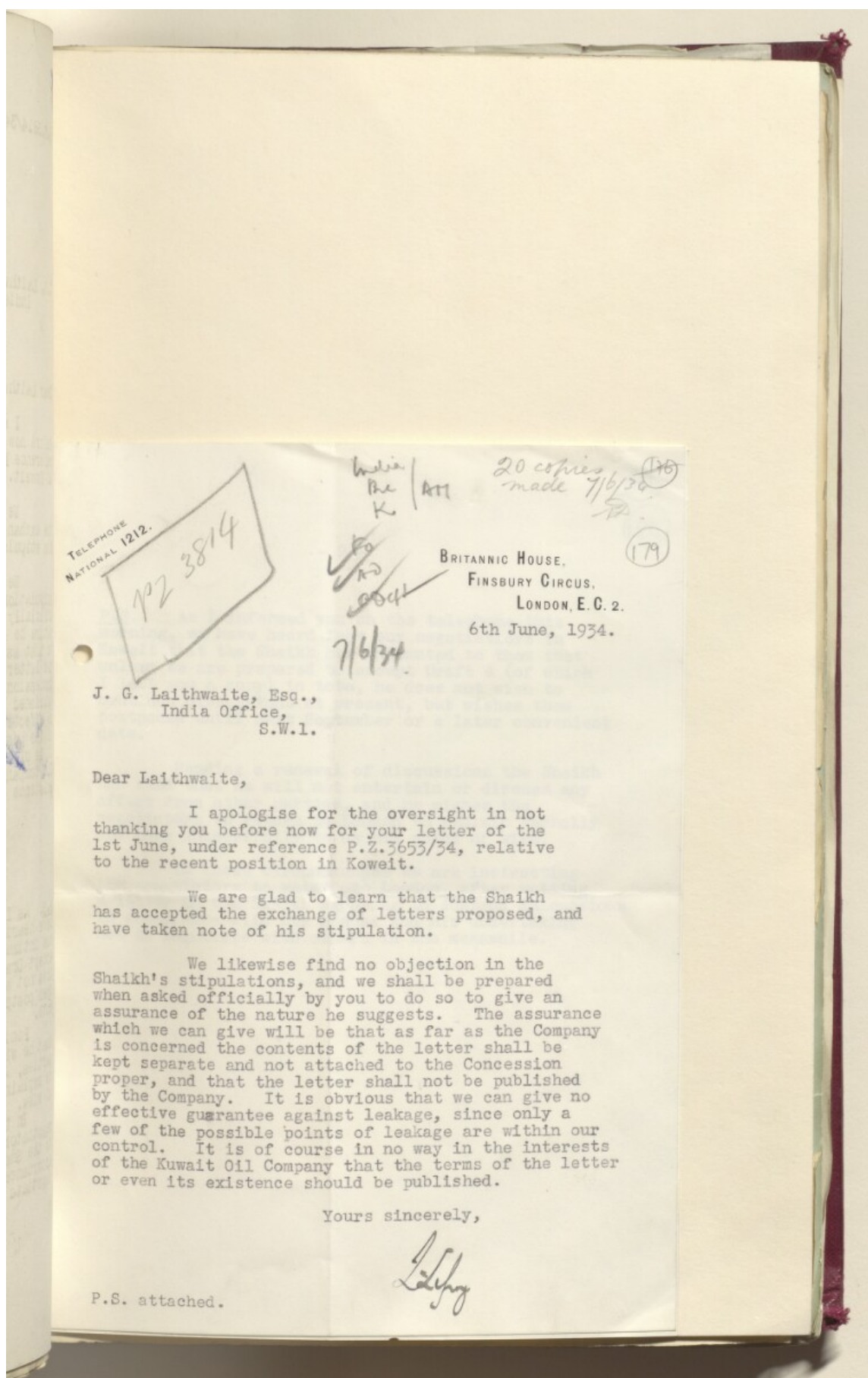
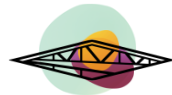
P.S. As I informed you on the telephone this morning, we have heard from our negotiators in Koweit that the Shaikh has intimated to them that unless we are prepared to accept Draft 4 (of which I left you a copy) in toto, he does not wish to continue discussions at present, but wishes them postponed until next September or a later convenient date.

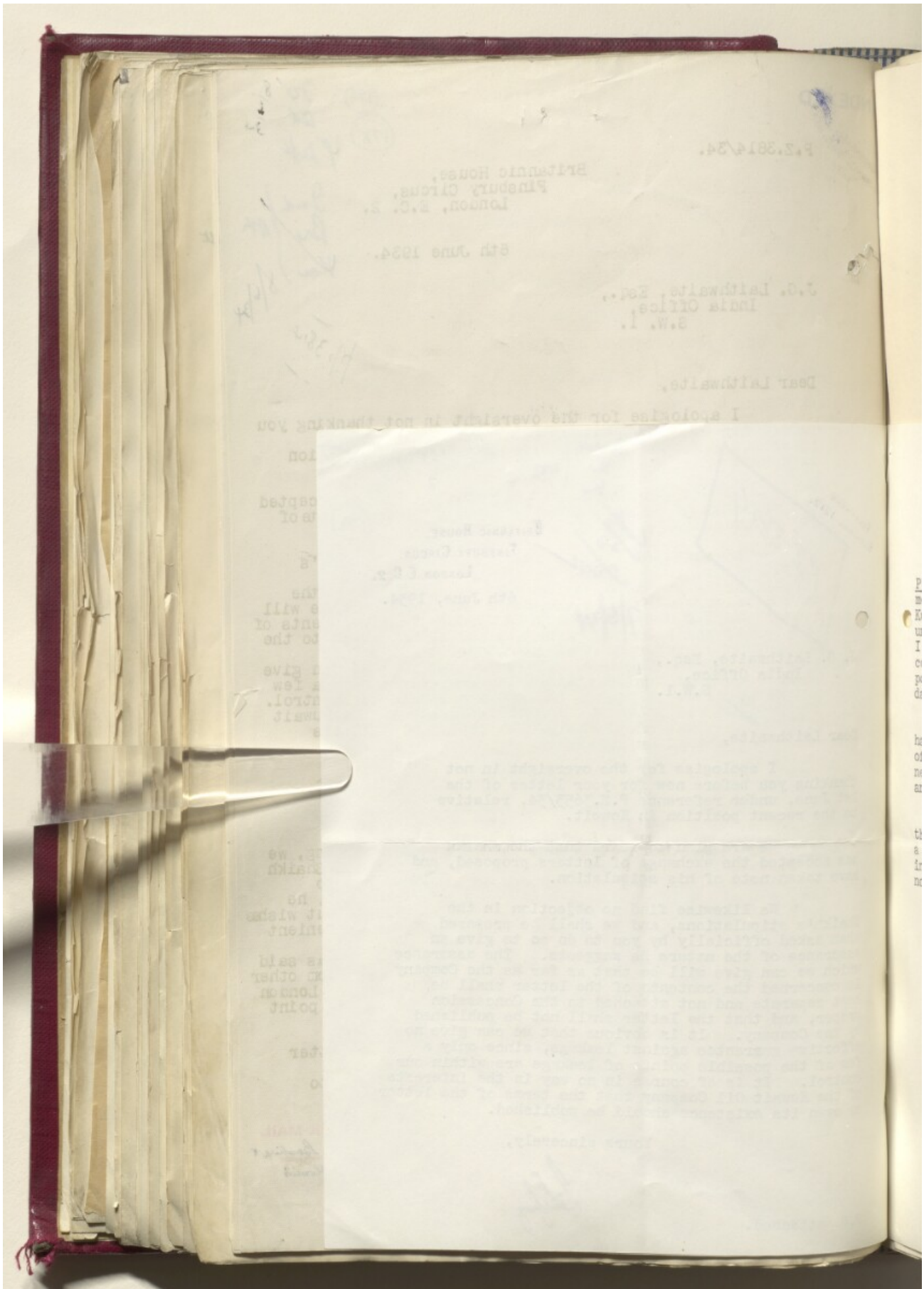
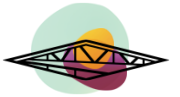
Pending a renewal of discussions the Shaikh has said that he will not entertain or discuss any offers from other parties, and he wishes the negotiators to return to London to explain verbally and more successfully to us his point of view.

In these circumstances we are instructing the negotiators to return to London, after writing a letter to the Shaikh agreeing to suspend discussions in accordance with his wishes and his undertaking not to negotiate with others in the meanwhile.

ENCLOSURE 1
No. 24 14 JUN, 1934 COPY SENT BY AIR MAIL
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE of 1/6/34 to India, Baseline & Kuwait







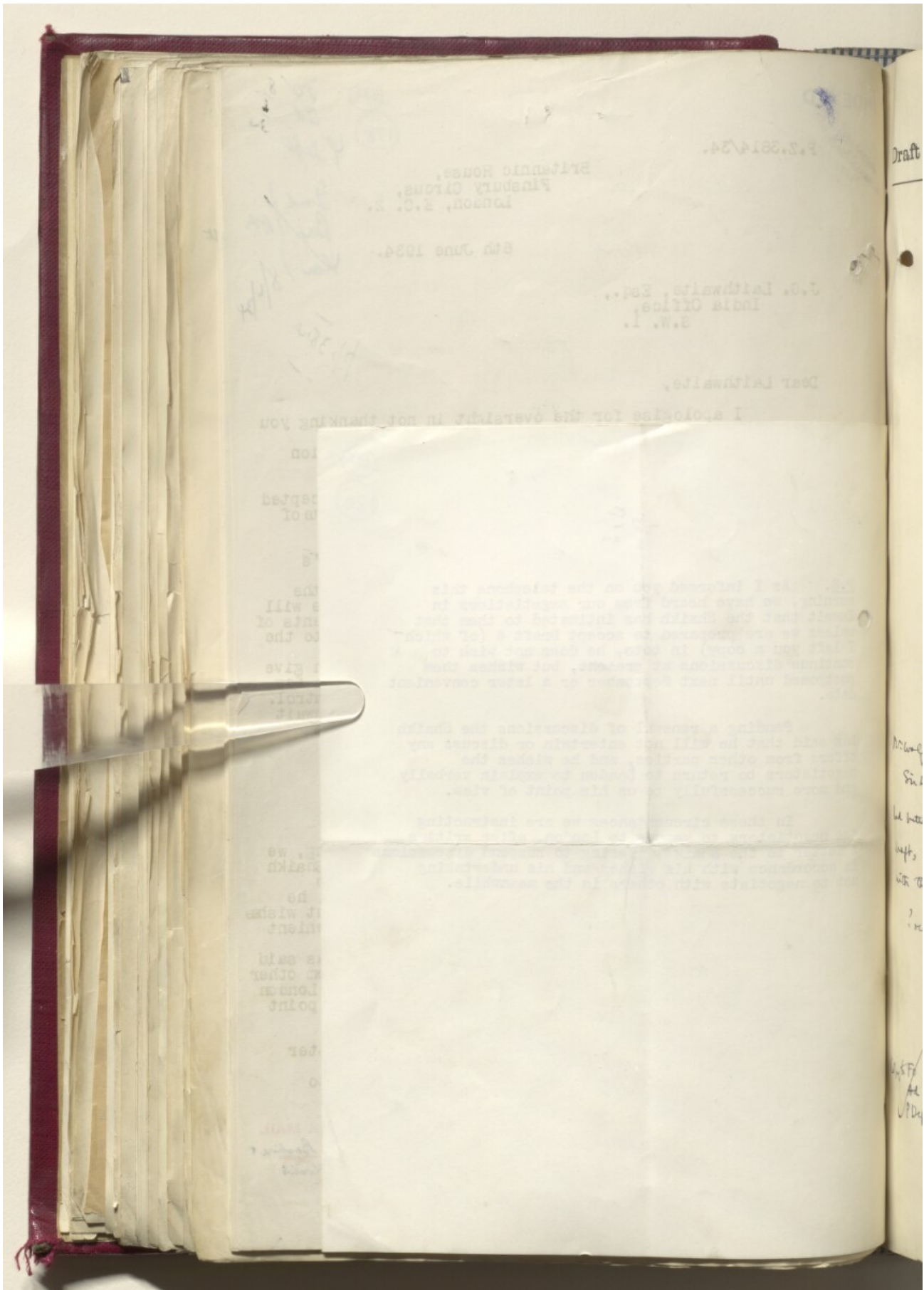


- 2 -

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1/Blue
6/minutes

PZ.5653
JX

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Draft Paper. Department.

Addressed to
Poc. Res. B. u. No. 1467
updated PA Koweit No. 1468

gltter xxx

Important

1467 H. u. 07 31 May, 1952,
Para 3: Position of Chief local
Representative of now only abiding
between K. H. & Sheikh
honor. Please insist Diabran to
urgently
tell me whether he has
approached Sheikh regarding it and
if so with what result.

Send me 6.6.

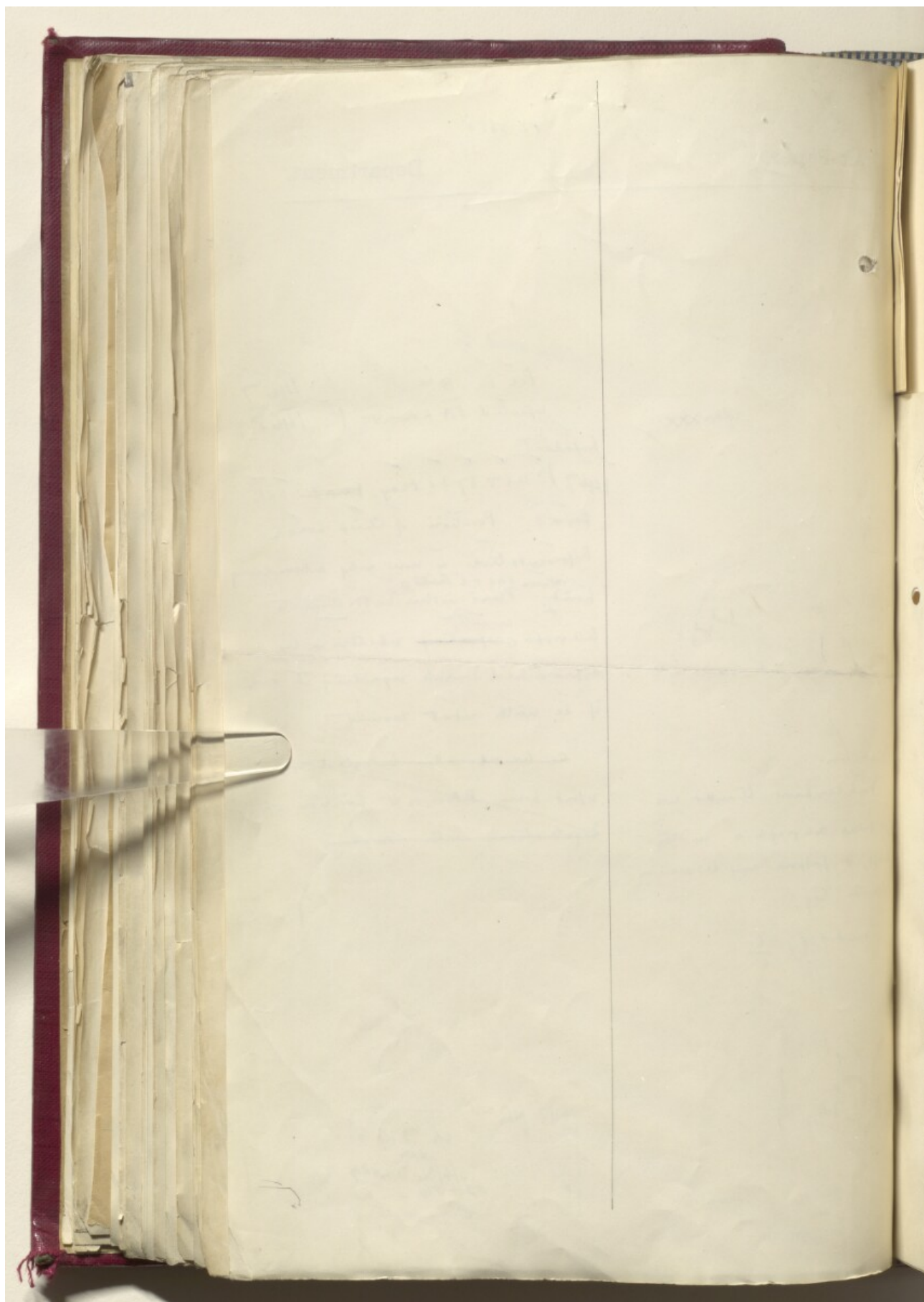
2. Waqf. S. L. K. has thinks we
ad better telegraph in the
waft, & follow any discussion
with the Gov.
? send 1.1.6
6

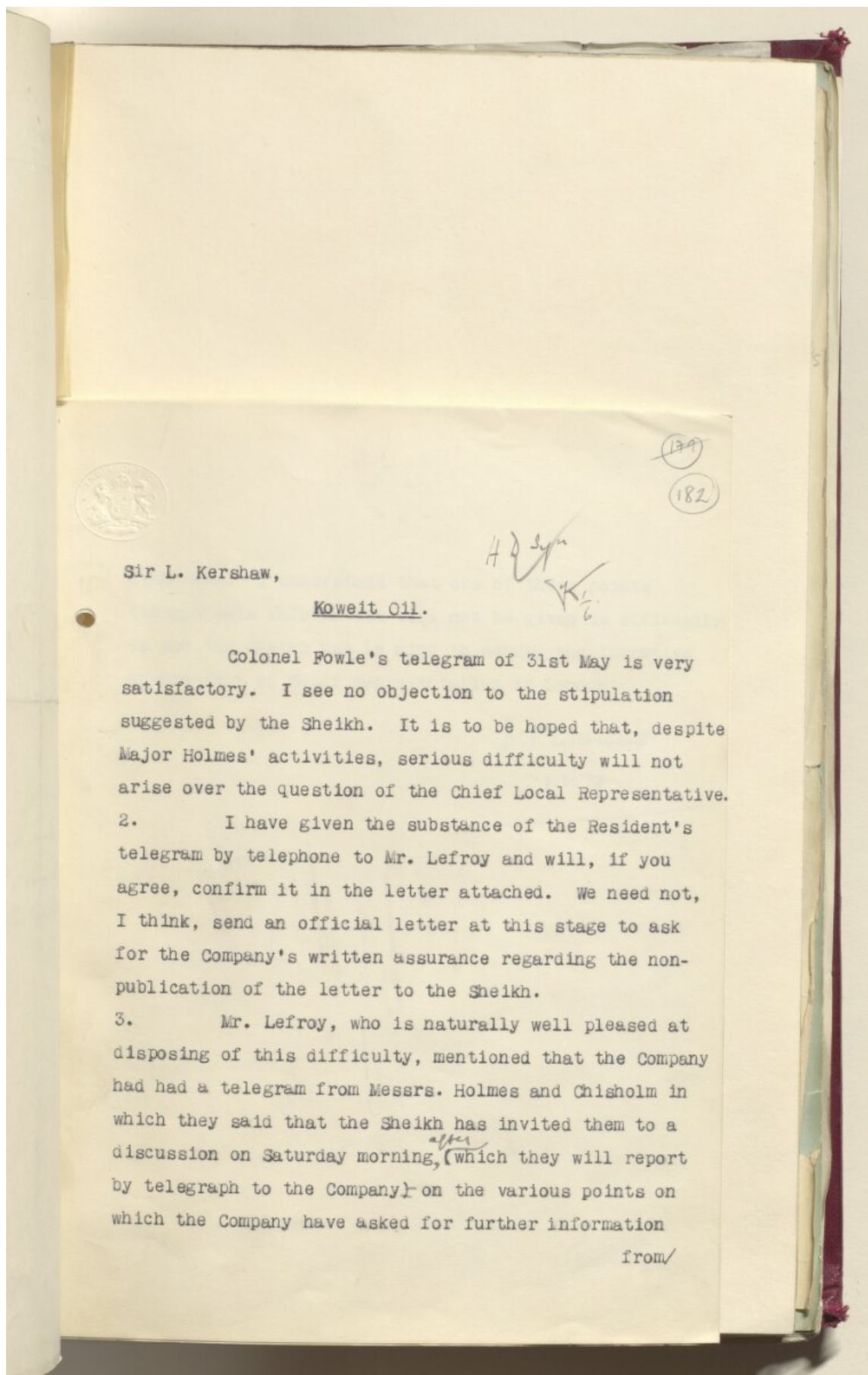
to Fo
Ad
P. Deft

7
1/6
34.

SEER BY	ATC	TIME
RECD. IN TEL. DIV.	6/6	2.30 PM
CODE, X. Y. Z.	XXX	
DEPARTED	6/6/52	3.45 PM
NO. OF WORDS	537	54
SENDER'S INITIALS		

2531 5000 2.34





Sir L. Kershaw,

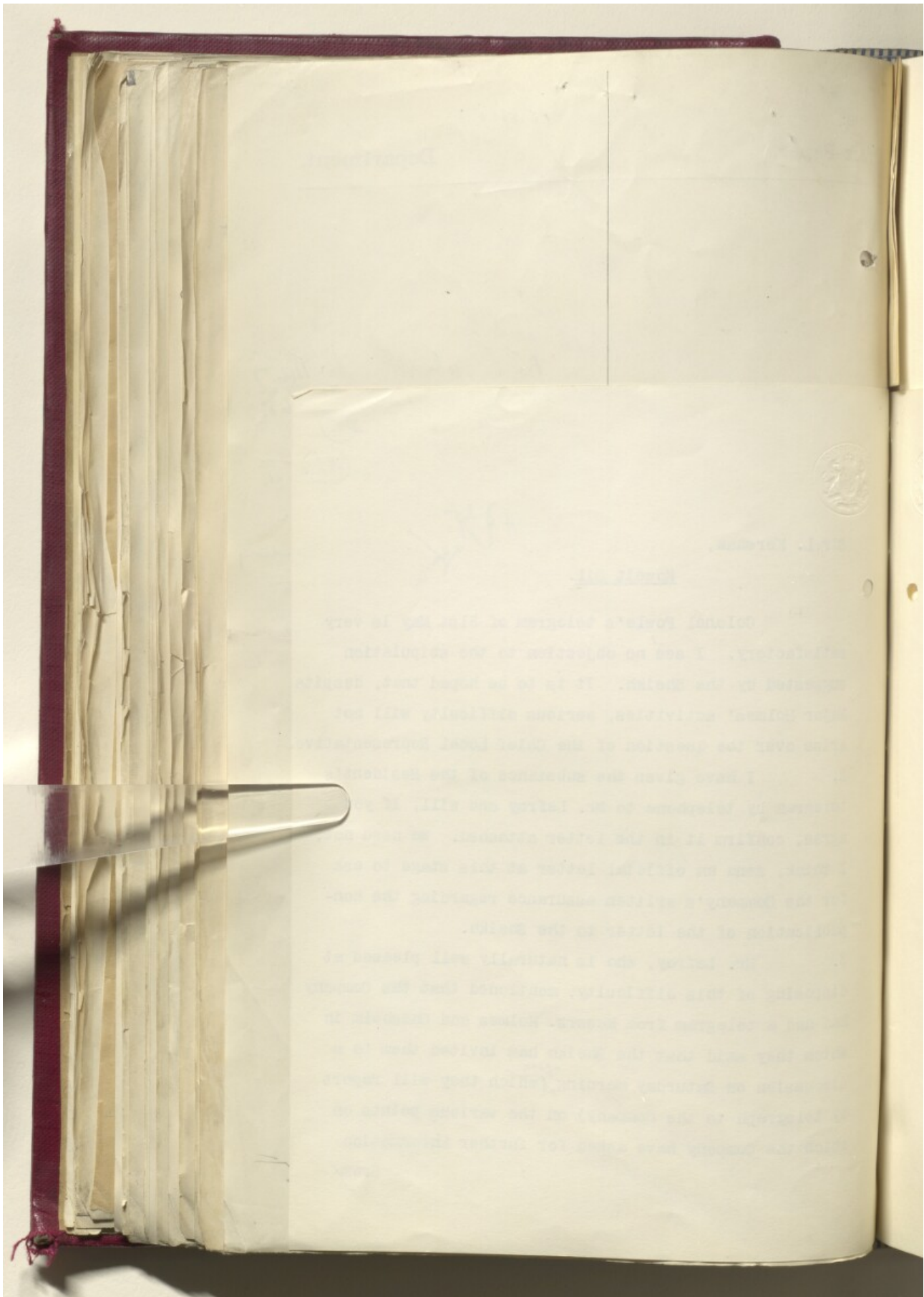
Koweit Oil.

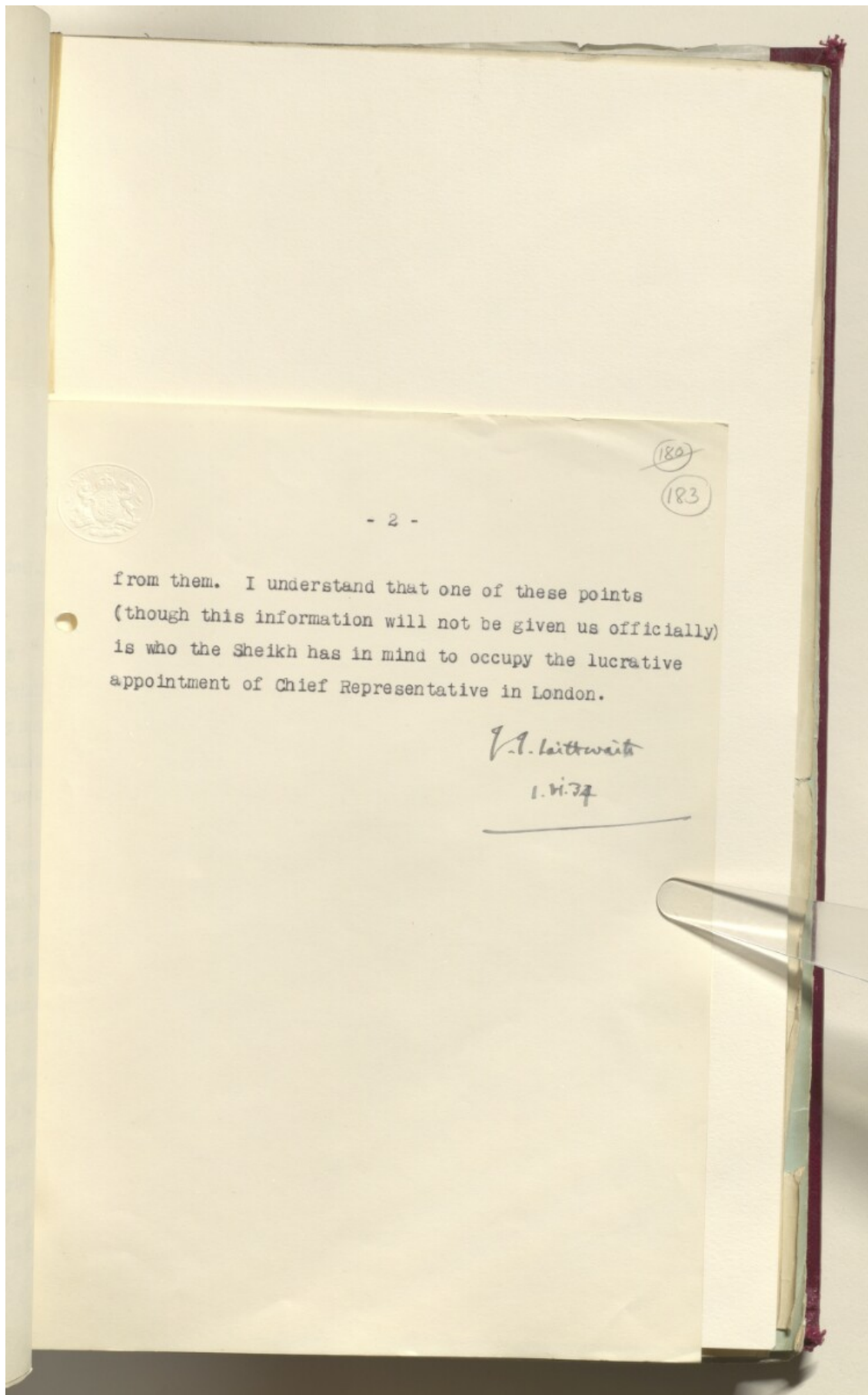
Colonel Fowle's telegram of 31st May is very satisfactory. I see no objection to the stipulation suggested by the Sheikh. It is to be hoped that, despite Major Holmes' activities, serious difficulty will not arise over the question of the Chief Local Representative.

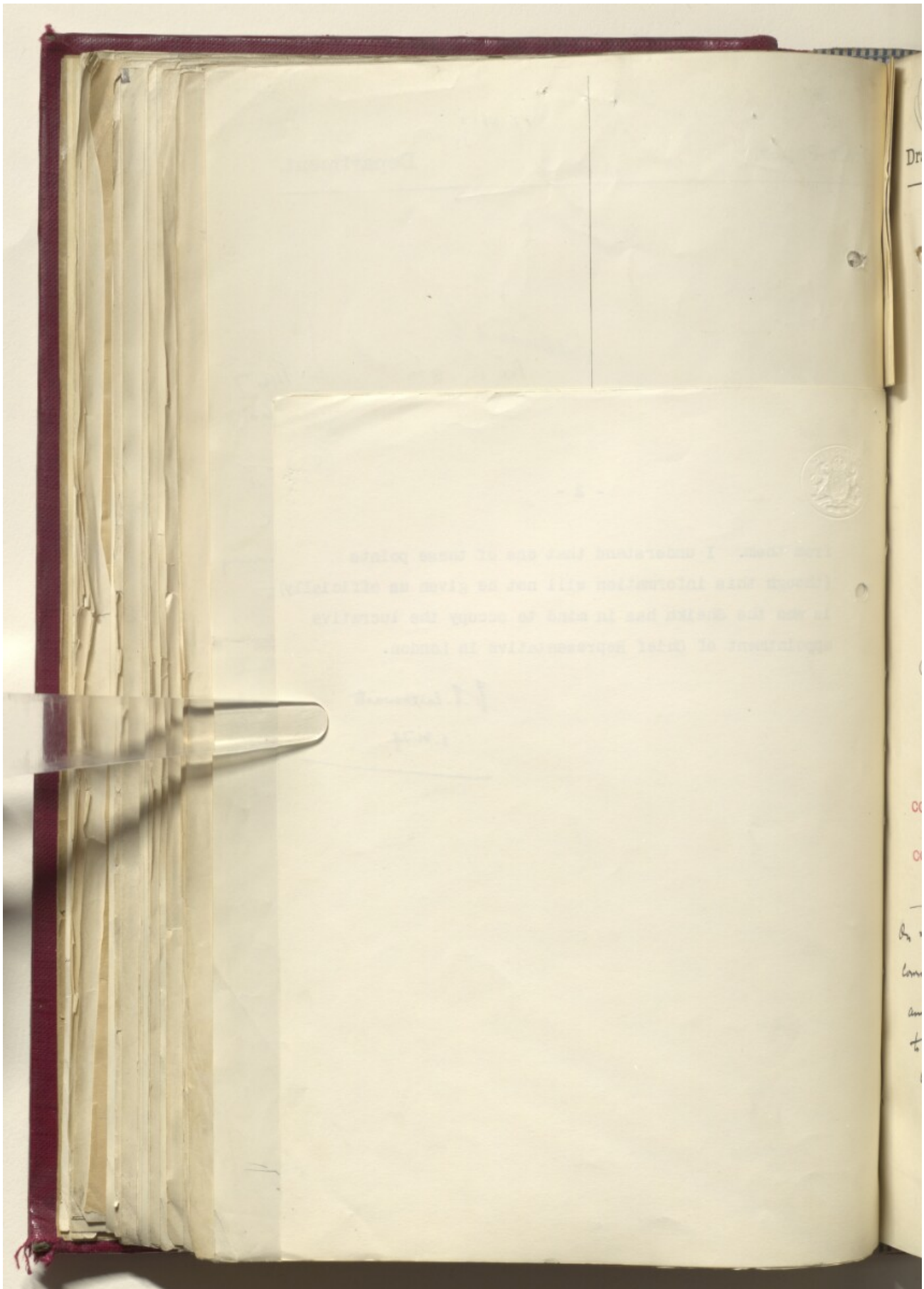
2. I have given the substance of the Resident's telegram by telephone to Mr. Lefroy and will, if you agree, confirm it in the letter attached. We need not, I think, send an official letter at this stage to ask for the Company's written assurance regarding the non-publication of the letter to the Sheikh.

3. Mr. Lefroy, who is naturally well pleased at disposing of this difficulty, mentioned that the Company had had a telegram from Messrs. Holmes and Chisholm in which they said that the Sheikh has invited them to a discussion on Saturday morning, ^{after} (which they will report by telegraph to the Company) on the various points on which the Company have asked for further information

from/







POLITICAL Department.

- 1 JUN 1934

L.E. Lefroy, Esq.,
Kuwait Oil Company,
Britannic House,
Finsbury Circus,
E.C. 2.

Copy to FO JUN 1934

COPY SENT BY AIR MAIL

of 1/6/54 to Indian

COPY SENT BY AIR MAIL

of 8/6/5x to Business & Account

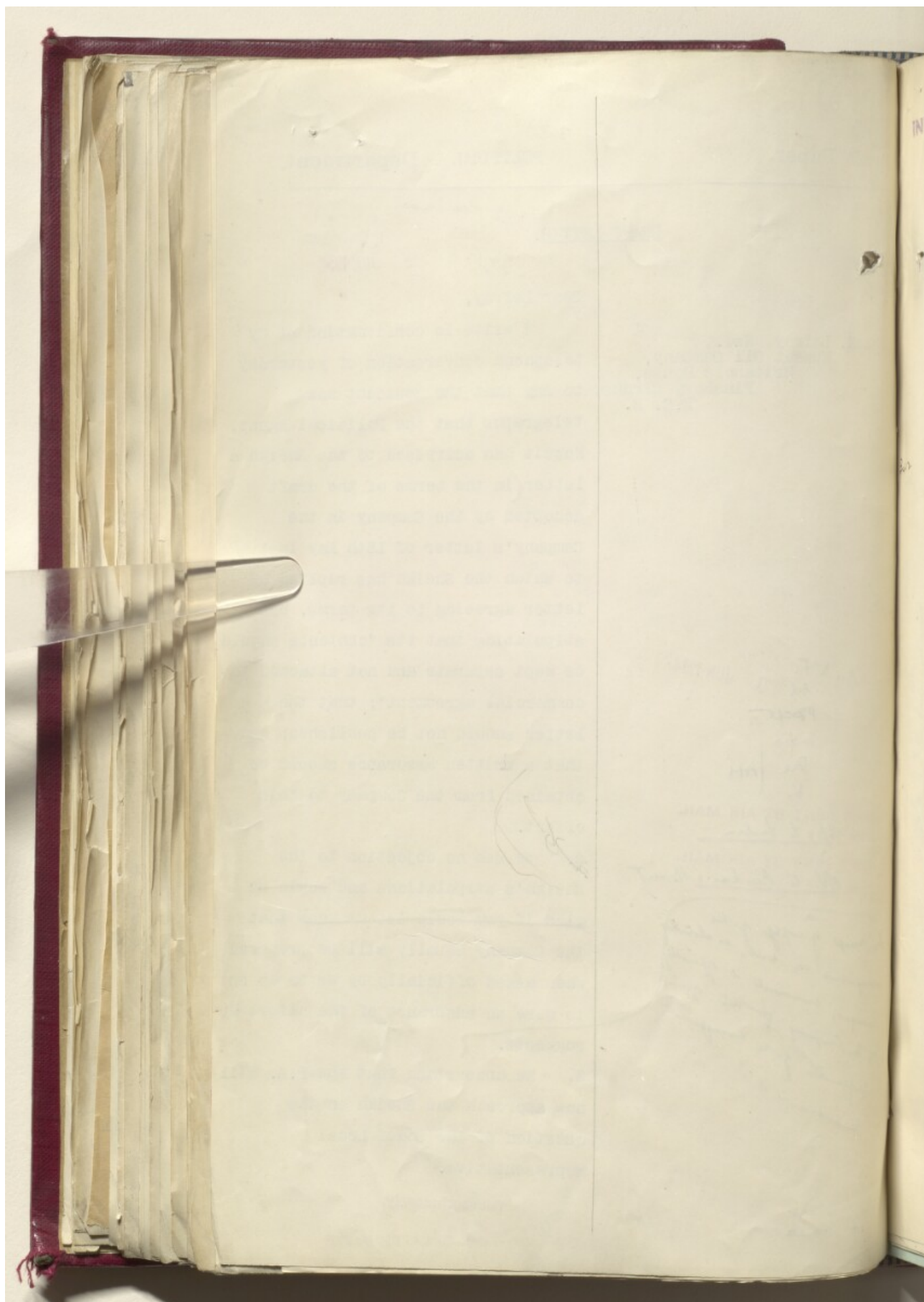
On receipt of copies of the
correspondence ^{was} sent, as already
arranged, accompanied by a printed
letter to the Company for their kind
consideration of the arrangements
embodied in it.

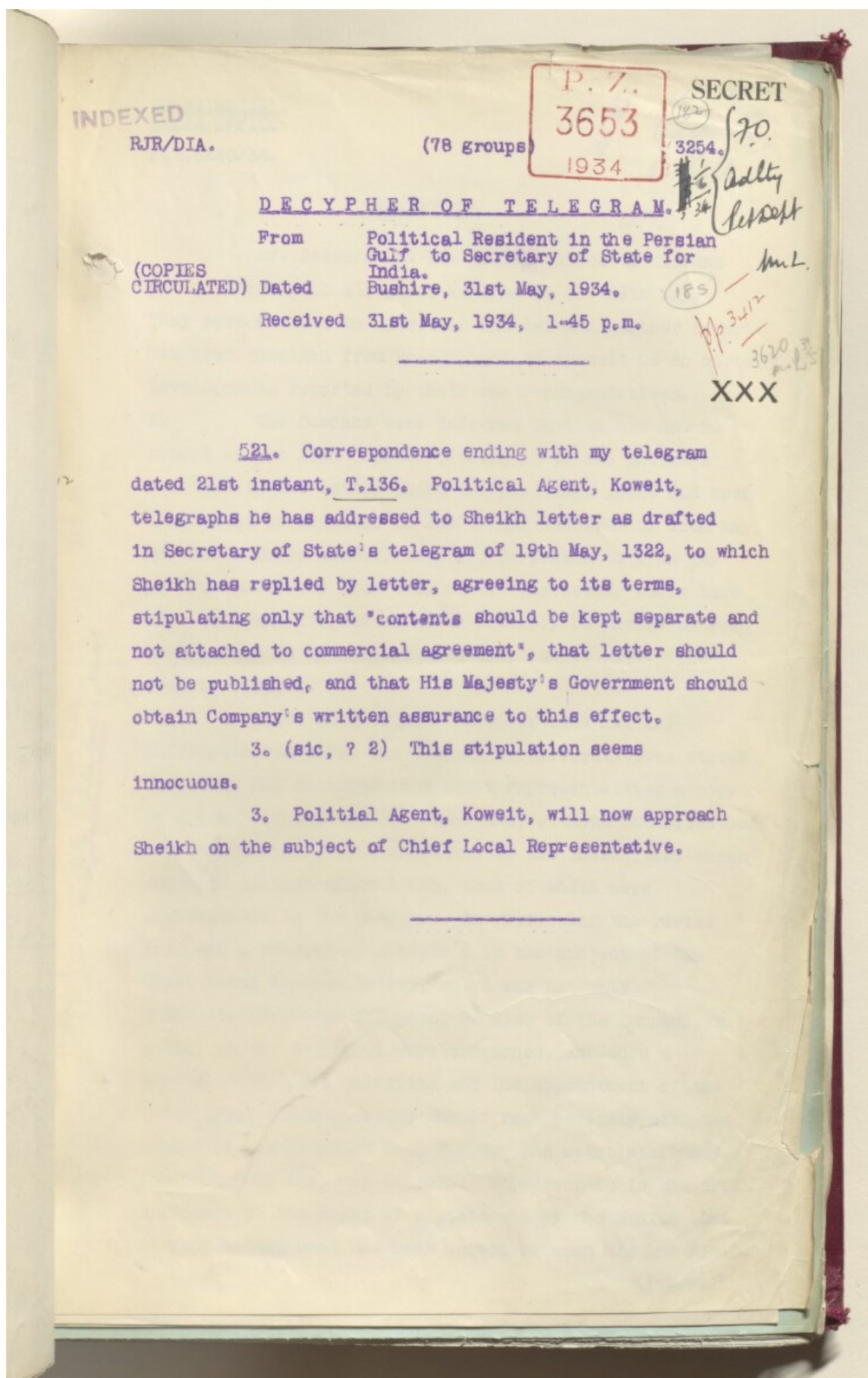
2. We see no objection to the Sheikh's stipulations and ~~would be glad if you would let us know that~~ ^{assume} the Company equally will be prepared when asked officially by us to do so to give an assurance of the nature he suggests.

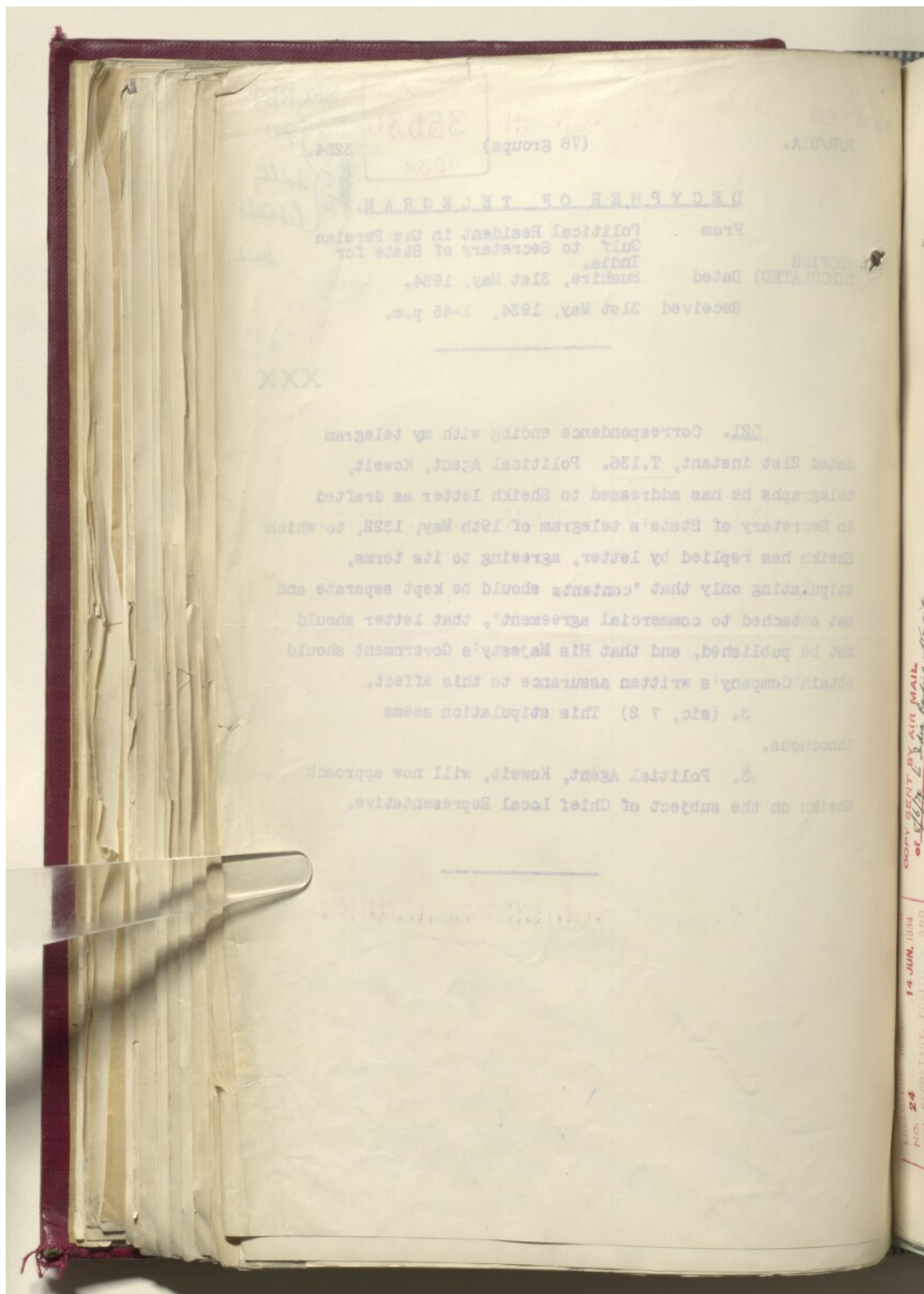
3. We understand that the P.A. will now approach the Sheikh on the question of the Chief Local Representative.

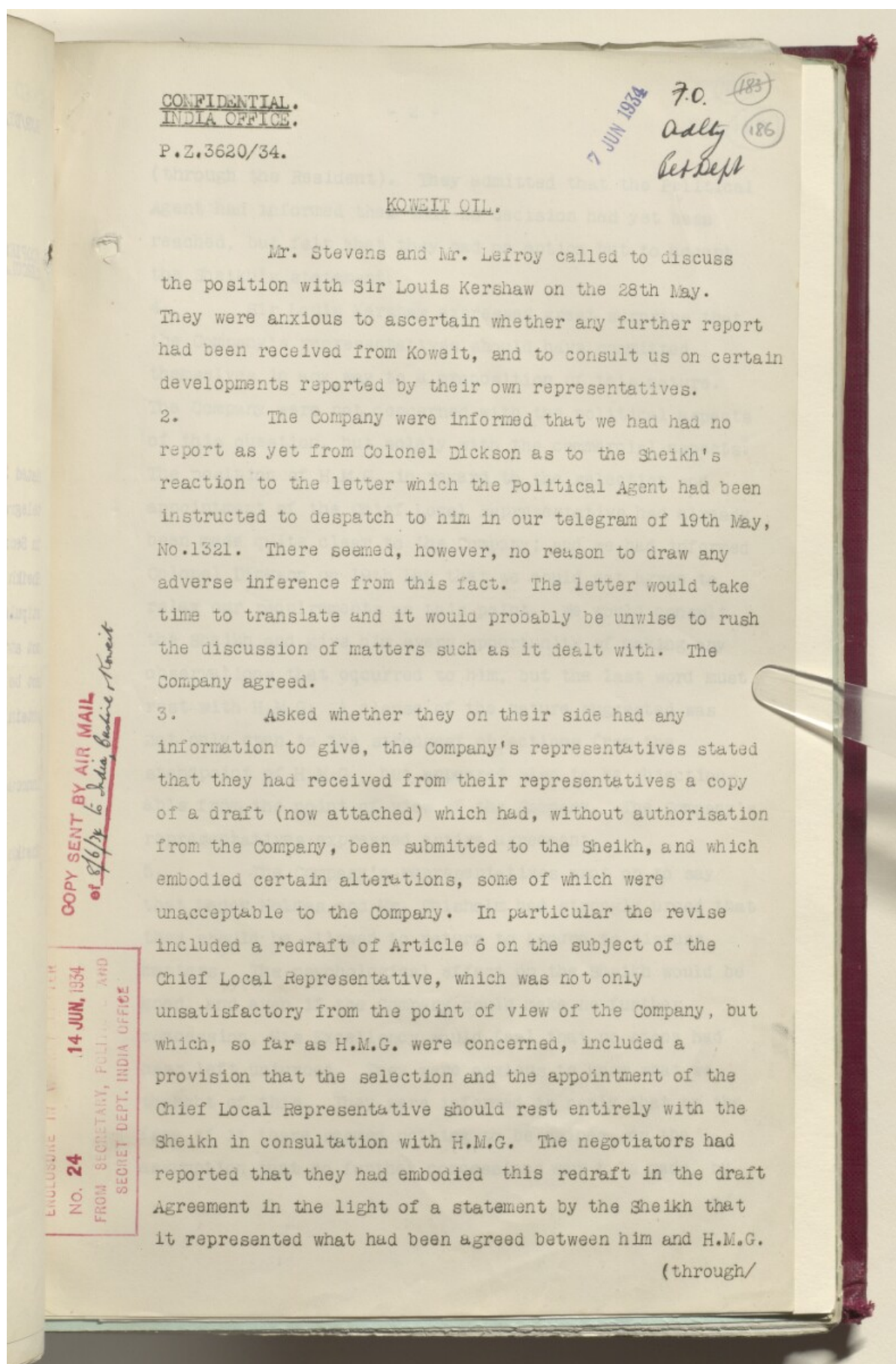
Yours sincerely,

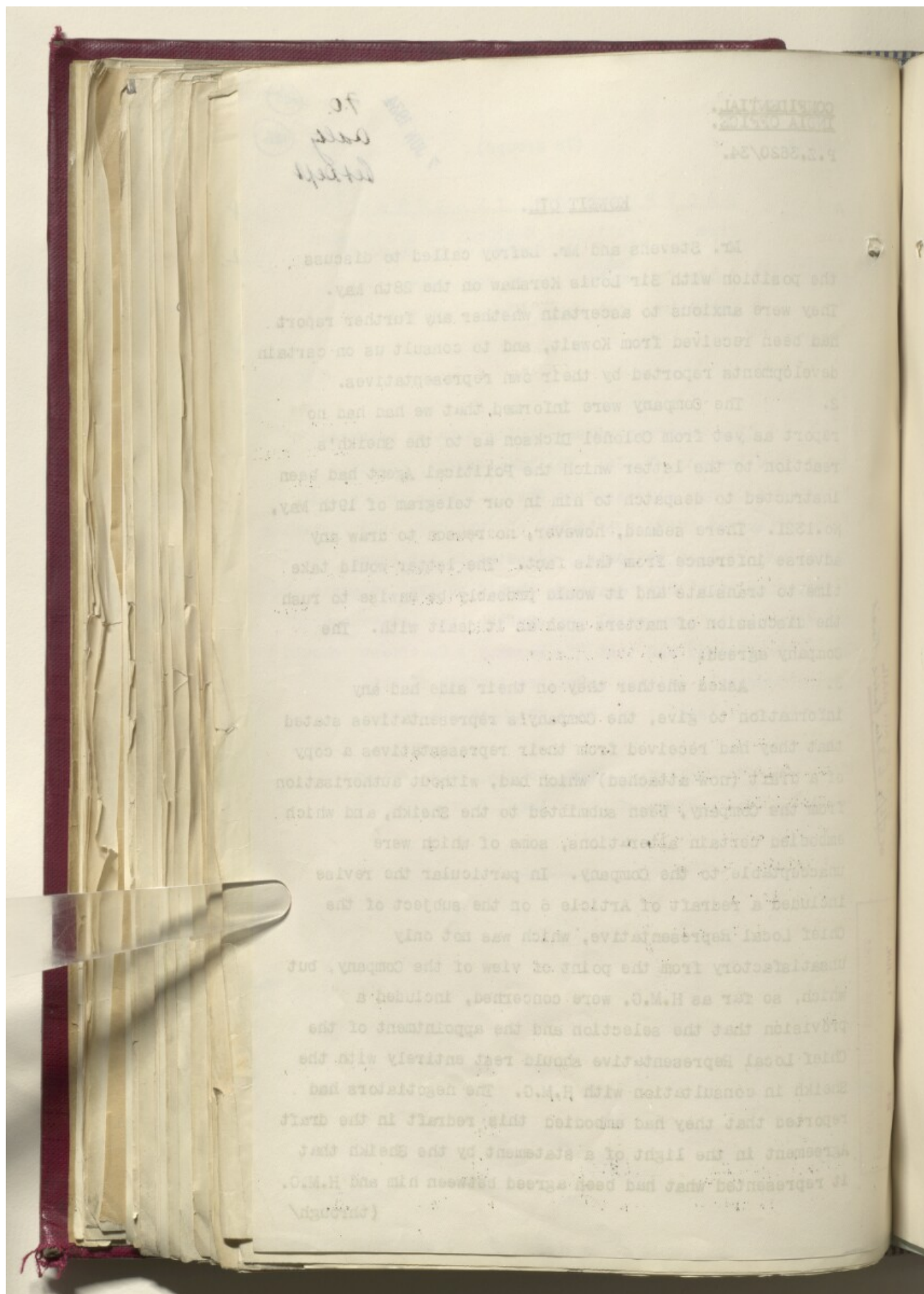
J. G. LAITHWAITE













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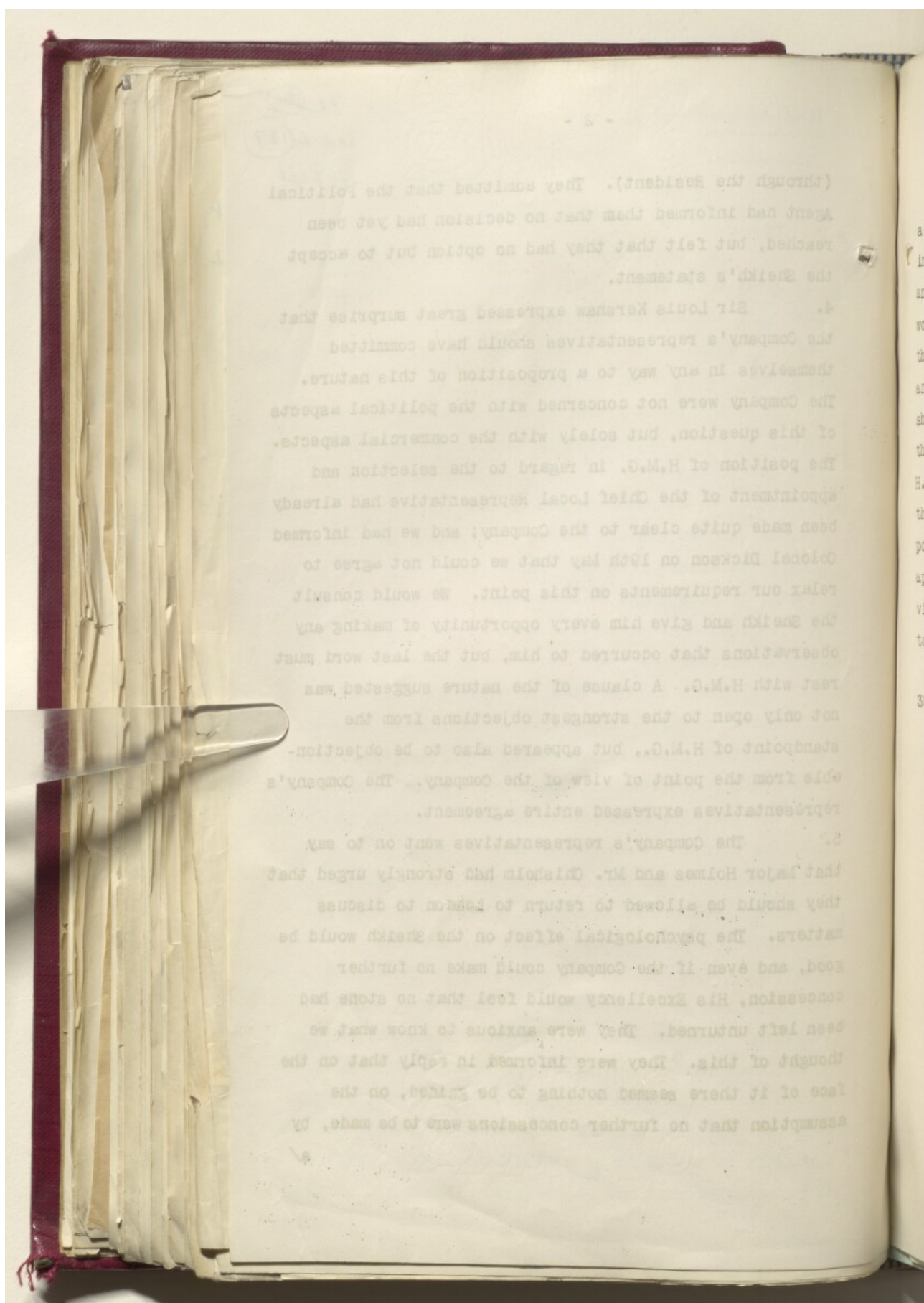
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(through the Resident). They admitted that the Political Agent had informed them that no decision had yet been reached, but felt that they had no option but to accept the Sheikh's statement.

4. Sir Louis Kershaw expressed great surprise that the Company's representatives should have committed themselves in any way to a proposition of this nature. The Company were not concerned with the political aspects of this question, but solely with the commercial aspects. The position of H.M.G. in regard to the selection and appointment of the Chief Local Representative had already been made quite clear to the Company; and we had informed Colonel Dickson on 19th May that we could not agree to relax our requirements on this point. We would consult the Sheikh and give him every opportunity of making any observations that occurred to him, but the last word must rest with H.M.G. A clause of the nature suggested was not only open to the strongest objections from the standpoint of H.M.G., but appeared also to be objectionable from the point of view of the Company. The Company's representatives expressed entire agreement.

5. The Company's representatives went on to say that Major Holmes and Mr. Chisholm had strongly urged that they should be allowed to return to London to discuss matters. The psychological effect on the Sheikh would be good, and even if the Company could make no further concession, His Excellency would feel that no stone had been left unturned. They were anxious to know what we thought of this. They were informed in reply that on the face of it there seemed nothing to be gained, on the assumption that no further concessions were to be made, by

a/



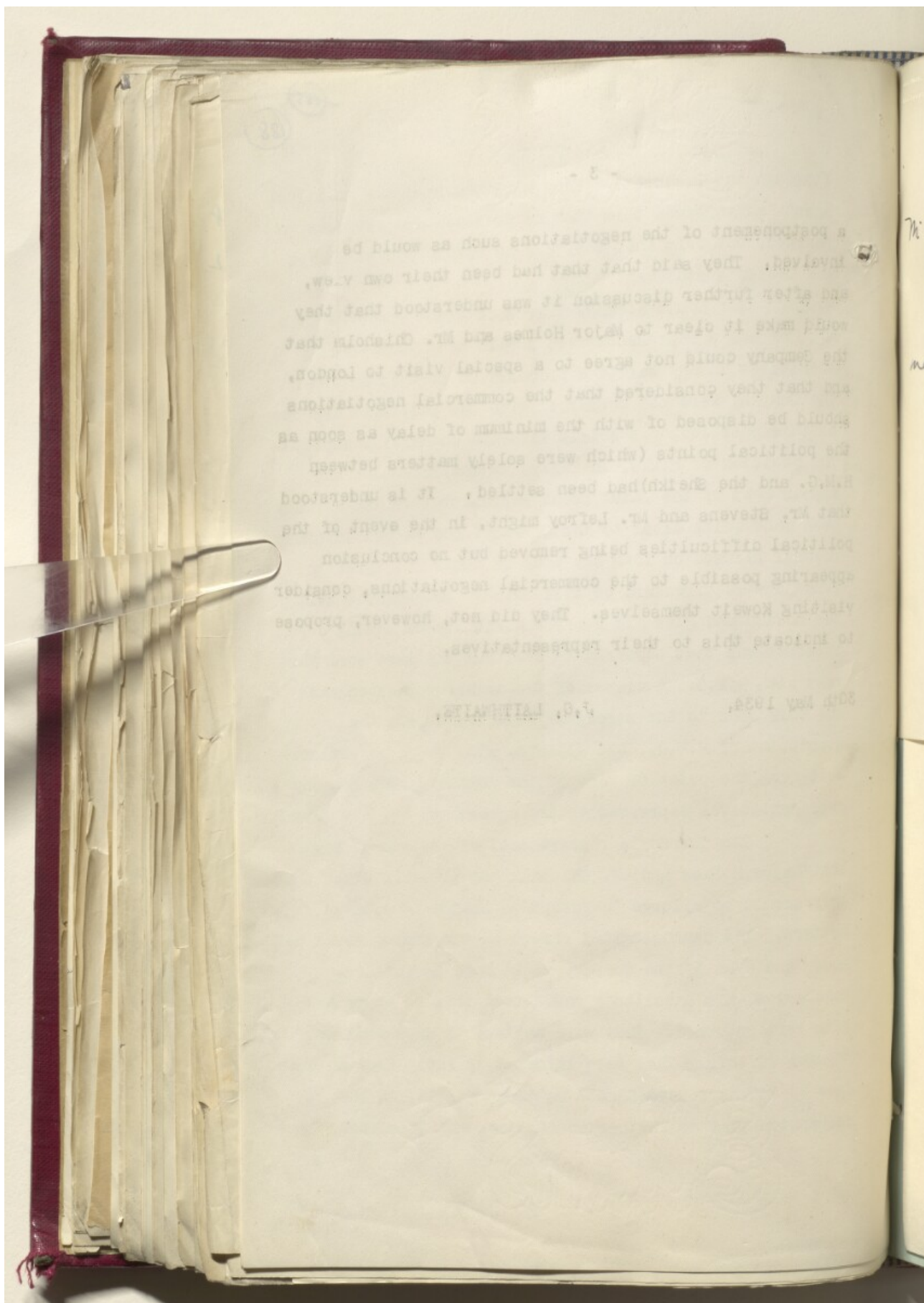


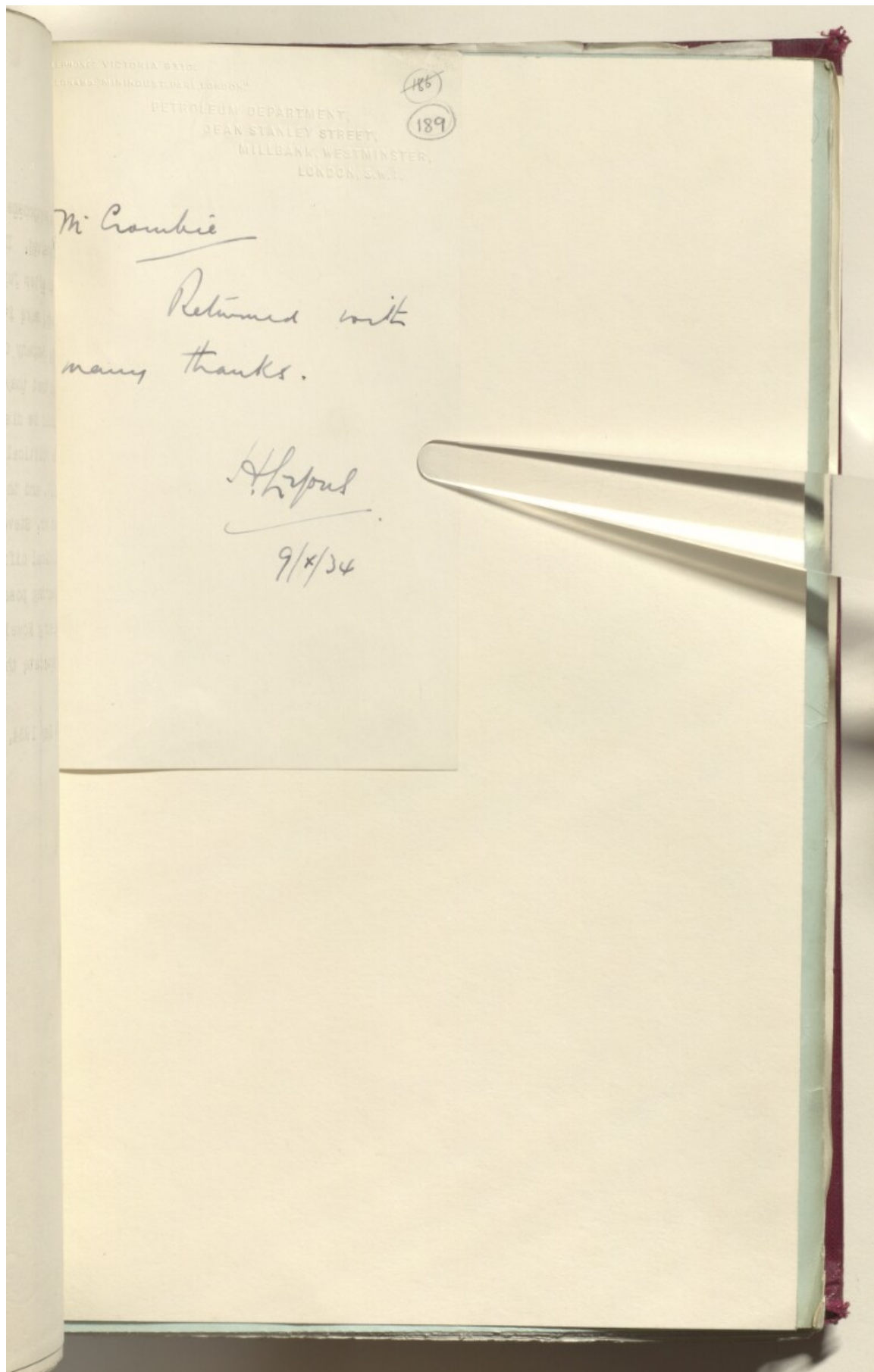
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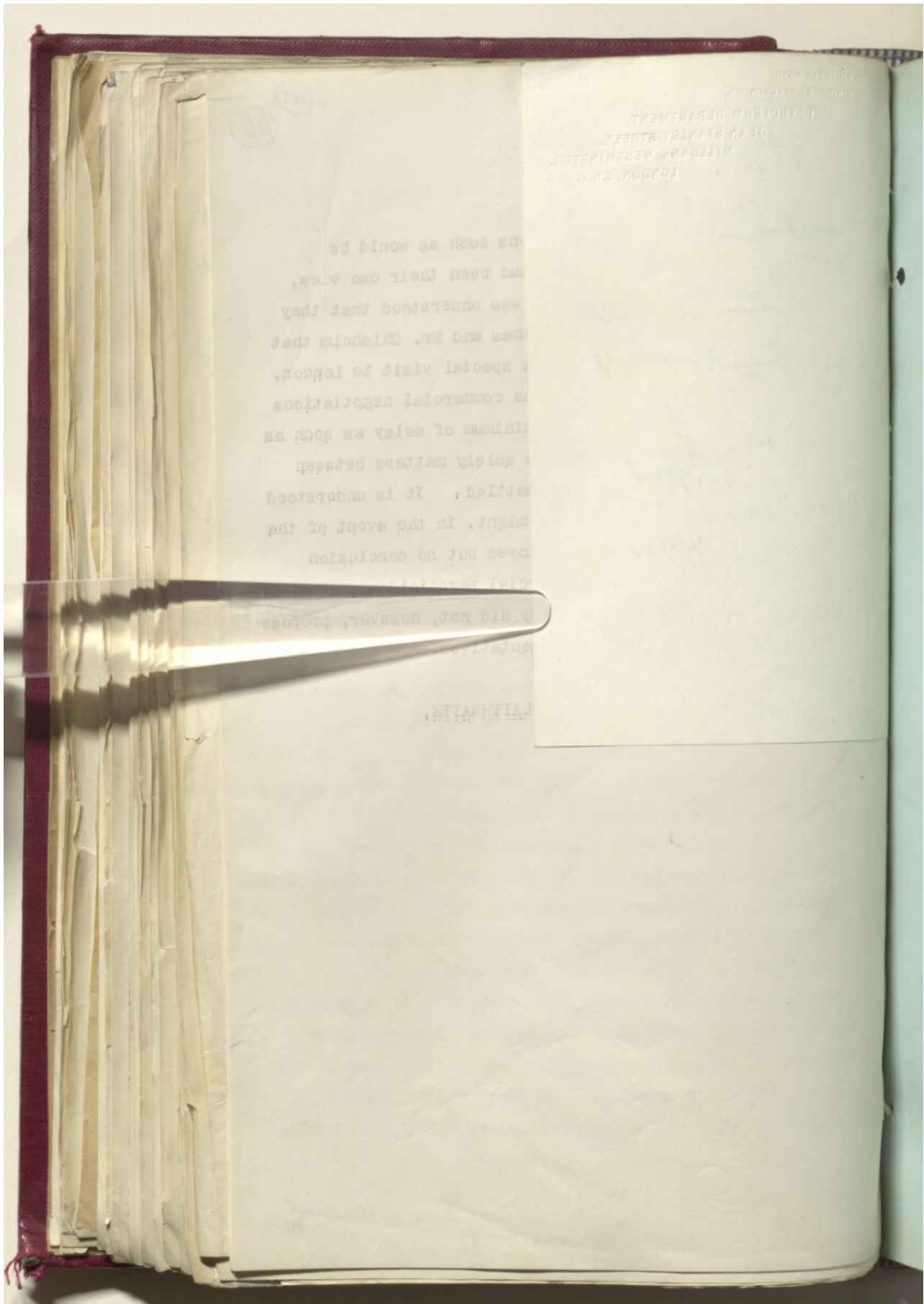
a postponement of the negotiations such as would be involved. They said that that had been their own view, and after further discussion it was understood that they would make it clear to Major Holmes and Mr. Chisholm that the Company could not agree to a special visit to London, and that they considered that the commercial negotiations should be disposed of with the minimum of delay as soon as the political points (which were solely matters between H.M.G. and the Sheikh) had been settled. It is understood that Mr. Stevens and Mr. Lefroy might, in the event of the political difficulties being removed but no conclusion appearing possible to the commercial negotiations, consider visiting Koweit themselves. They did not, however, propose to indicate this to their representatives.

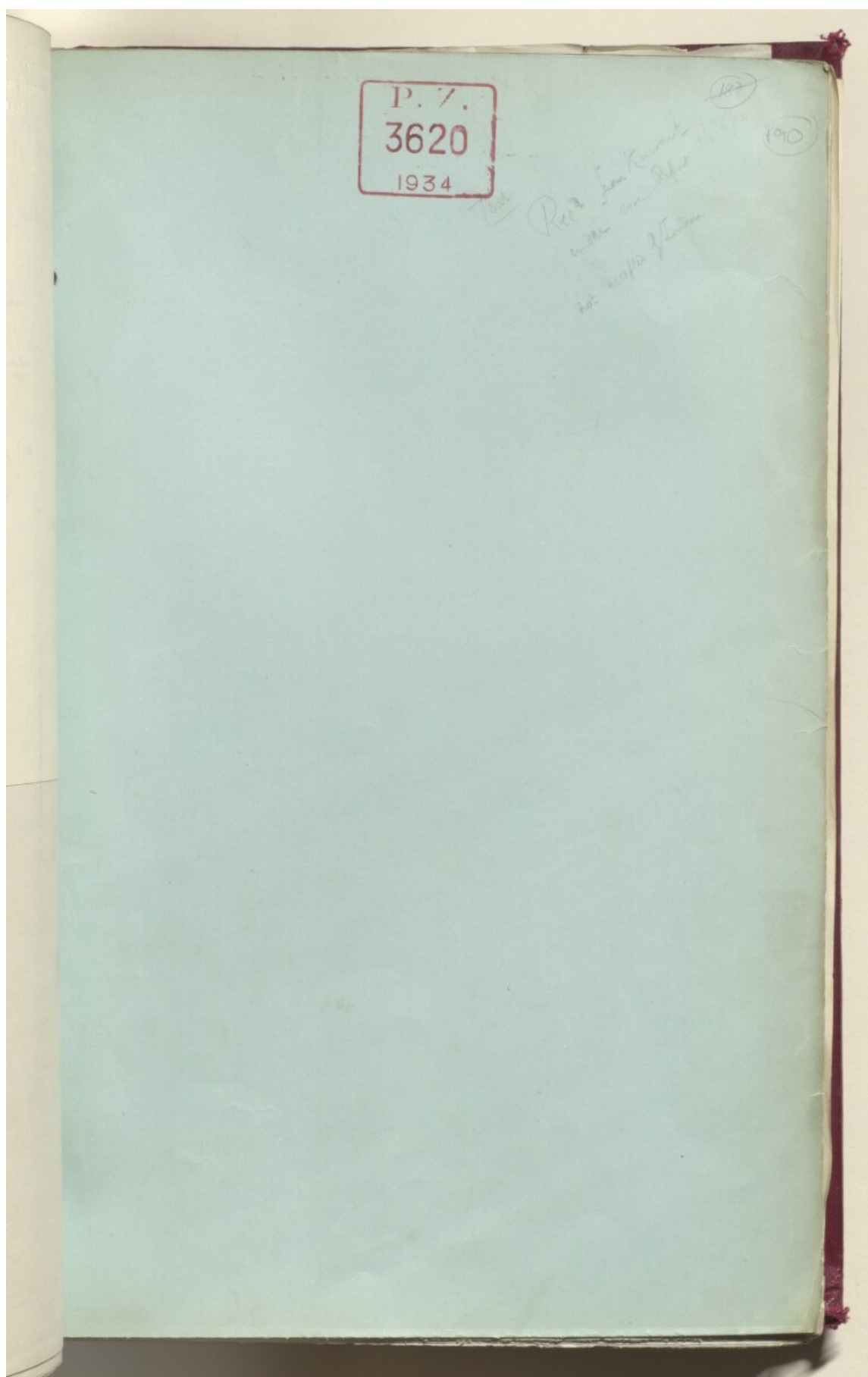
30th May 1934.

J.G. LAITHWAITE.













In the Name of God
the Merciful

This is an AGREEMENT made at
Kuwait on the _____
in the year 193_____ corresponding to
day of _____ 135_____

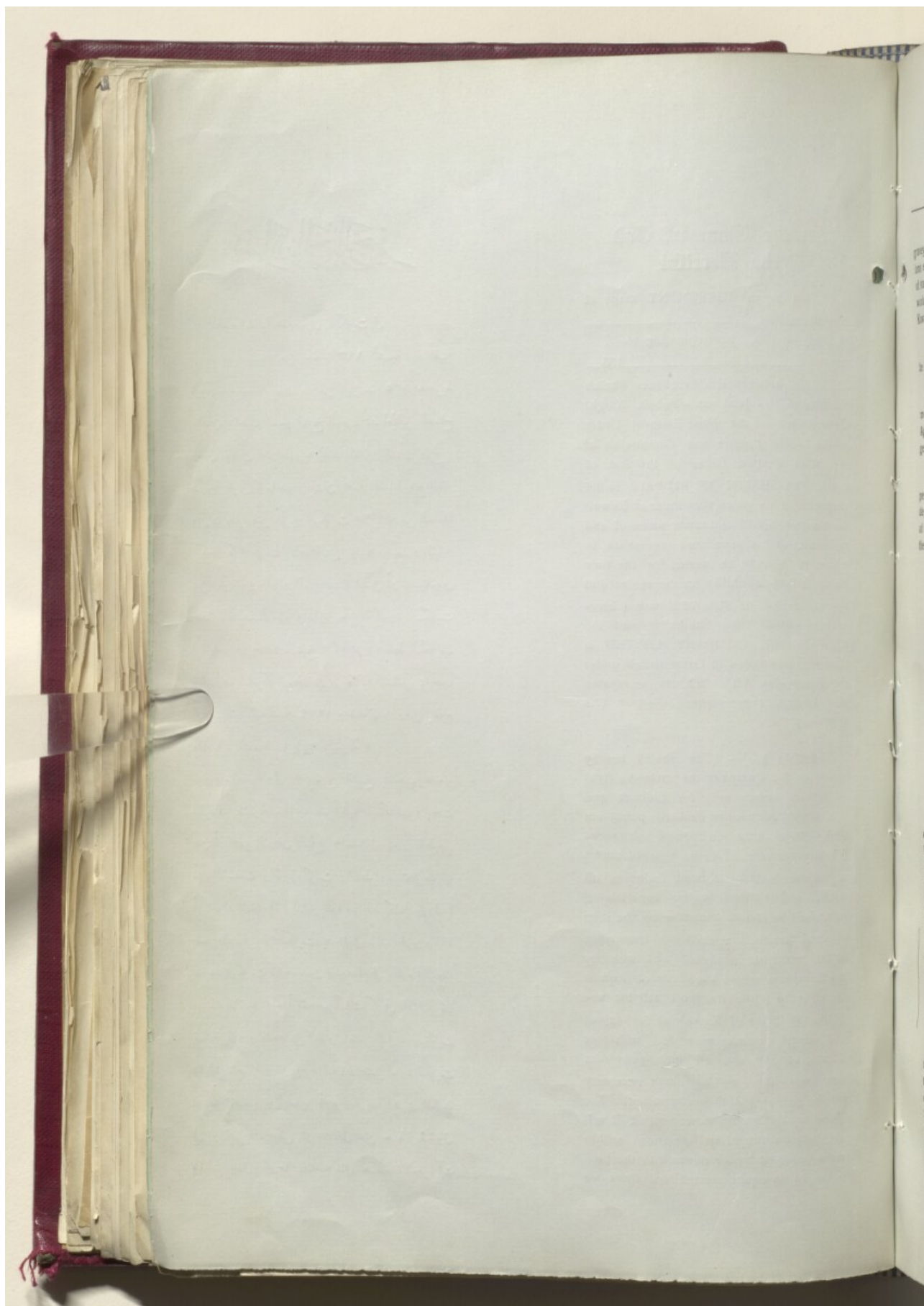
_____ between His Excellency Shaikh
Sir Ahmad al - Jabir as - Subah, Knight
Commander of the Most Eminent Order
of the Indian Empire and Companion of
the Most Exalted Order of the Star of
India, The SHAIKH OF KUWAIT in the
exercise of his powers as Ruler of Kuwait
on his own behalf and in the name of and
on behalf of his heirs and successors in
whom is or shall be vested for the time
being the responsibility for the control and
government of the State of Kuwait (here-
inafter called "the Shaikh") and the
KUWAIT OIL COMPANY LIMITED a
Company registered in Great Britain under
the Companies Act, 1929, its successors
and assigns (hereinafter called " The
Company ").

Article 1. — The Shaikh hereby
grants to the Company the exclusive right
to explore search drill for produce and
win natural gas asphalt ozokerite petroleum
and their products and cognate substances
(hereinafter referred to as " petroleum ")
within the State of Kuwait including all
islands and territorial waters appertaining
to Kuwait as shown generally on the map
annexed hereto, the exclusive ownership
of all petroleum produced and won by
the Company within the State of Kuwait
the right to refine transport sell for use
within the State of Kuwait or for export
and export or otherwise deal with or
dispose of any and all such petroleum
and the right to do all things necessary
for the purposes of those operations. The
Company undertakes however that it will
not carry on any of its operations within
areas occupied by or devoted to the pur-
poses of mosques sacred buildings or

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

هذه اتفاقية عقدت في الكويت في
_____ من سنة ١٩٣٣ شمسية الموافقة
اليوم _____ من شهر سنة ١٣٥٥ هجرية
ما بين صاحب السمو الشيخ السير احمد الجابر الصباح
حامل نيشان اميراطورية الهند العالي الشأن من
درجة فارس كوماندر ونيشان نجمة الهند الرفيع المقام
من درجة رفيق امير الكويت عملاً بماله من السلاطة
كعاه كم لا الكويت بالاصالة عن نفسه وباسم وبالتيا به
عن وورثته وخلفائه الذين يديم الآن أو سيستلمون
بعدهم مقاليد الامور وادارة حكومة امارة الكويت
(المدعو فيها بعد « بالشيخ ») وشركة نفط الكويت
المحدودة الشركة المسجلة في بريطانيا العظمى بموجب
قانون الشركات لسنة ١٩٢٩ وخلفائهم ومن يقوم
مقامها (المدعوة فيها يلي « بالشركة »)

المسادة الاولى — بمنح الشيخ بموجب هذه
الاتفاقية للشركة حقاً منحصراً فيها لتستكشف وتبحث
عن أو تحفر الارض لانتاج واستغلال الغاز الطبيعي
أو الاسفلت والاوزوكريت والنفط ومستخرجاتها
أو المواد المائنة لها (المشار اليها فيما بعد بكلمة بترول)
ضمن منطقة امارة الكويت ويدخل في ذلك الجزر والمياه
التابعة للكويت كما هو مبين بوجه عام في الخارطة المرفقة
بهذا الاتفاق وحققاً منحصراً بالشركة في امتلاك كل
تستخرجه وتنتجه من البترول ضمن امارة الكويت
والحق بتصفية ونقل وبيع البترول ضمن امارة الكويت
او بيعه للتصدير والتصدير أو بآية طريقة اخرى المعاملة
في او تصرف بعض أو كل من هذا البترول
والحق بعمل كل ما تقتضيه مثل هذه الاجراءات





— 2 —

graveyards or carry on any of its operations except the sale of petroleum housing of staff and employees and administrative work within the present town wall of Kuwait.

The period of this Agreement shall be 75 years from the date of signature.

Article 2. — (A) Within nine months from the date of signature of this Agreement the Company shall commence geological exploration.

(B) The Company shall drill for petroleum to the following total aggregate depths and within the following periods of time at such and so many places as the Company may decide :-

- (i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.
- (ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.
- (iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

(C) The Company shall conduct its operations in a workmanlike manner and by appropriate scientific methods and shall take all reasonable measures to prevent the ingress of water to any petroleum-bearing strata and shall duly close any unproductive holes drilled by it and subsequently abandoned. The Company shall keep the Shaikh and his London Representative informed generally as to the progress and result of its drilling operations but such information shall be treated as confidential.

Article 3. — In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance and protection which the Shaikh hereby undertakes to afford by all means in his power to the Company and its operations, employees and property, the Company shall pay to the Shaikh the following sums :-

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الا أن الشركة تمهد أن لا تقوم بعمل من هذه الاعمال ضمن المناطق التي اقيم عليها أو نذرت لاقامة الجوامع والابنية المقدسة والمدافن أو أن تقوم بأي عمل ماعدا بيع البترول واسكان موظفيها ومستخدميها والاعمال الادارية ضمن سور مدينة الكويت الحالية .

يستمر العمل بموجب هذا الاتفاق مدة ٧٥ سنة من تاريخ التوقيع عليه .
المادة الثانية : —

(١) انه في خلال تسعة أشهر من تاريخ التوقيع على هذا الاتفاق تشرع الشركة في الاستكشاف الجيولوجي .

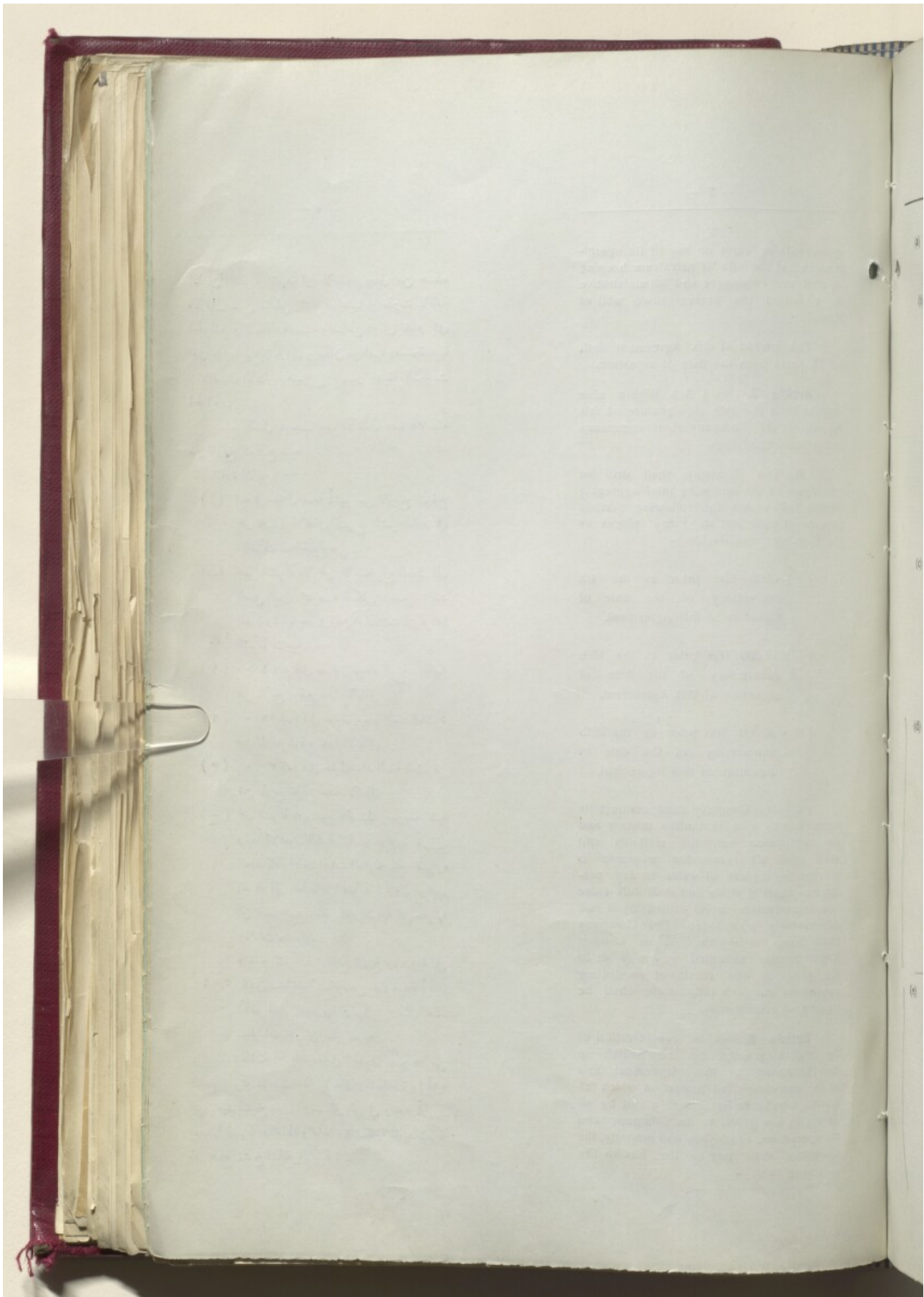
(ب) تحفر الشركة الارض لاستخراج النفط الى العمق المبين بمجموعه الكلي وضمن المدد المذكورة فيها بعد في الحفل والحلات التي تراها الشركة مناسبة : —

- (١) ٤٠٠٠ قدم قبل حلول ميعاد السنة الرابعة من تاريخ توقيع هذا الاتفاق
- (٢) ١٢٠٠٠ قدم قبل حلول ميعاد السنة العاشرة من تاريخ توقيع هذا الاتفاق
- (٣) ٣٠٠٠٠ قدم قبل حلول ميعاد السنة العشرين من تاريخ توقيع هذا الاتفاق

(ج) على الشركة أن تقوم باعمالها بطريقة فنية وتبعا للاصول العلمية المناسبة ويجب أن تتخذ كافة الاحتياطات المقولة لمنع تسرب المياه الى الطبقات المحتوية للبترول ويجب ان تسد جميع الحفر الغير المنتجة التي حفرتها واعملت بعد ذلك .

وتقوم الشركة بإبلاغ الشيخ ومندوبه في لندن بصفة عامة كلما يجد عن سير ونتيجة أعمال الحفر التي تقوم بها ولكن مثل هذه المعلومات يجب ان تعتبر سرية

المادة الثالثة — انه مقابل الحقوق الممنوحة من الشيخ للشركة بموجب هذا الاتفاق والمساعدة والحماية التي يتعهد الشيخ بكل الوسائل التي في وسعه أن يقدمها للشركة واعمالها وعملها وتملكاتها تنهدها الشركة بان تدفع للشيخ المبالغ الآتية : —



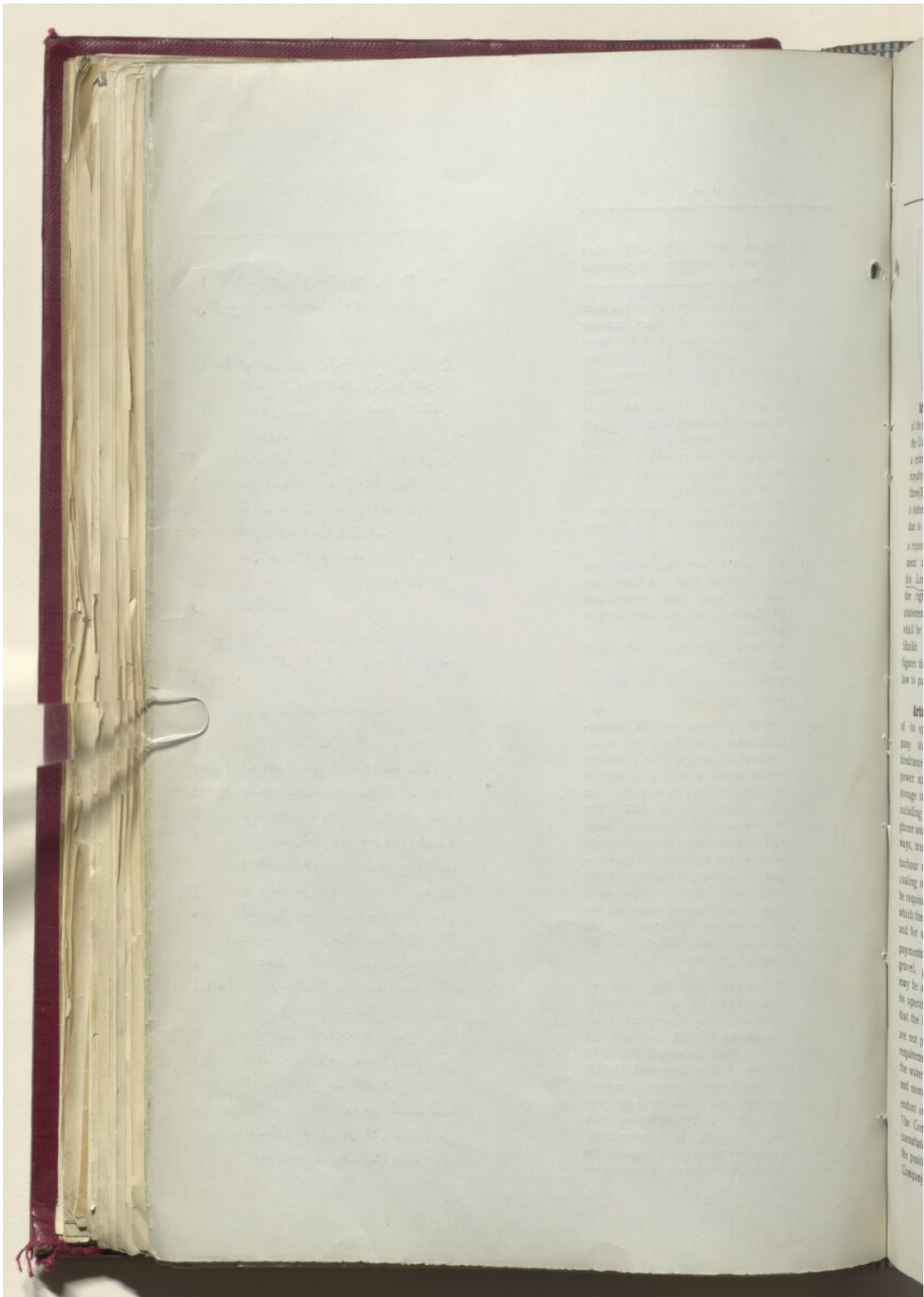


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- (a) Within thirty (30) days after signature of this Agreement Rupees _____
- (b) On each anniversary of the date of signature until the Company declares that petroleum has been found in commercial quantities:-
Either Royalty of Rupees _____ for every English ton (2,240 lbs.) of Kuwait petroleum won and saved by the Company in Kuwait during the year ending 3 months prior to the anniversary of the date of signature,
Or Rupees _____ whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after the Company has declared that petroleum has been found in commercial quantities :-
Either Royalty as defined above
Or Rupees _____ whichever shall be the greater sum.
- (d) For the purpose of this Agreement and to define the exact product to which the Royalty stated above refers. It is agreed that the Royalty is payable on each English ton of 2,240 lbs of nett crude petroleum won and saved by the Company from within the State of Kuwait that is after deducting water sand and other foreign substances and the oil required for the customary operations of the Company's installations in the Shaikh's territories -.
- (e) Within each calendar year as from the date of signature of this Agreement the Company shall pay to the Shaikh the sum of Rupees Five thousand (Rs.5000) in lieu of Five thousand (5000) gallons of motor spirit annually, but after the declaration by the Company that petroleum has been found in commercial quantities then the Company in lieu of the above payment of

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- (١) تدفع الشركة في خلال ثلاثين (٣٠) يوماً من تاريخ التوقيع على هذا الاتفاق روية _____
- (ب) في نفس اليوم من كل سنة تالية من تاريخ التوقيع على هذا الاتفاق الى أن تعلن الشركة ان البترول وجد بمقادير تصلح للاستثمار التجاري .
أما عوائد روية عن كل طن انكليزي وزنه (٢٢٤٠) ليبرة من بترول الكويت استخراج واحرز بواسطة الشركة في الكويت في خلال السنة التي تنتهي قبل ميعاد تاريخ التوقيع بثلاثة اشهر او روية ايا كان المبلغ الاكبر .
- (ج) في كل موعد سنوي لتاريخ التوقيع وعلى أثر اعلان الشركة أن البترول وجد بكميات تصلح للاستثمار التجاري :-
أما عوائد كما هو مبين اعلاه او روية ايا كان المبلغ الاكبر .
- (د) انه بناء على هذه الاتفاقية ولتحديد الانتاج الصحيح الذي يوجبه تحصل العوائد المشار اليها اعلاه من الاتفاق على أن العوائد تدفع عن كل طن انكليزي وزنه (٢٢٤٠) ليبرة من البترول الخام الصافي المستخرج والحرز بواسطة الشركة ضمن اماره الكويت اي بعد تزيل الماء والرمل وغيرها من المواد الغريبة وكذلك الزيت المطلوب لعمال الشركة العادية في منشآتها في اراضي الشيخ
- (هـ) انه في خلال كل سنة شمسية من بعد ميعاد التوقيع على هذا الاتفاق تدفع الشركة للشيخ مبلغ خمسة آلاف (٥٠٠٠) رويه سنوياً بدلا من خمسة آلاف (٥٠٠٠) غالون من البنزين ولكن بعد الاعلان المذكور اعلاه من ان البترول وجد بكميات تصلح للاستثمار التجاري فان الشركة بدلا من الدفعة المتقدم ذكرها وقبعتها خمسة آلاف





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Rupees Five thousand (Rs.5000) per annum shall deliver annually to the Shaikh free of cost in Kuwait as and when requested by the Shaikh Ten thousand (10,000) English gallons of petrol of which not more than Five thousand (5000) gallons may be aviation spirit.

Article 4. — On each anniversary of the date of signature of this Agreement the Company shall deliver to the Shaikh a return of petroleum if any on which royalty is payable for the year ended three(3) months prior to such anniversary and a statement of the amount of royalty if any due to the Shaikh for such year, and a report of its operations under this agreement during such year. The Shaikh or his London Representative shall have the right to check such returns and statements which, as well as any reports, shall be treated as confidential by the Shaikh with the exception of such figures therein as he may be required by law to publish.

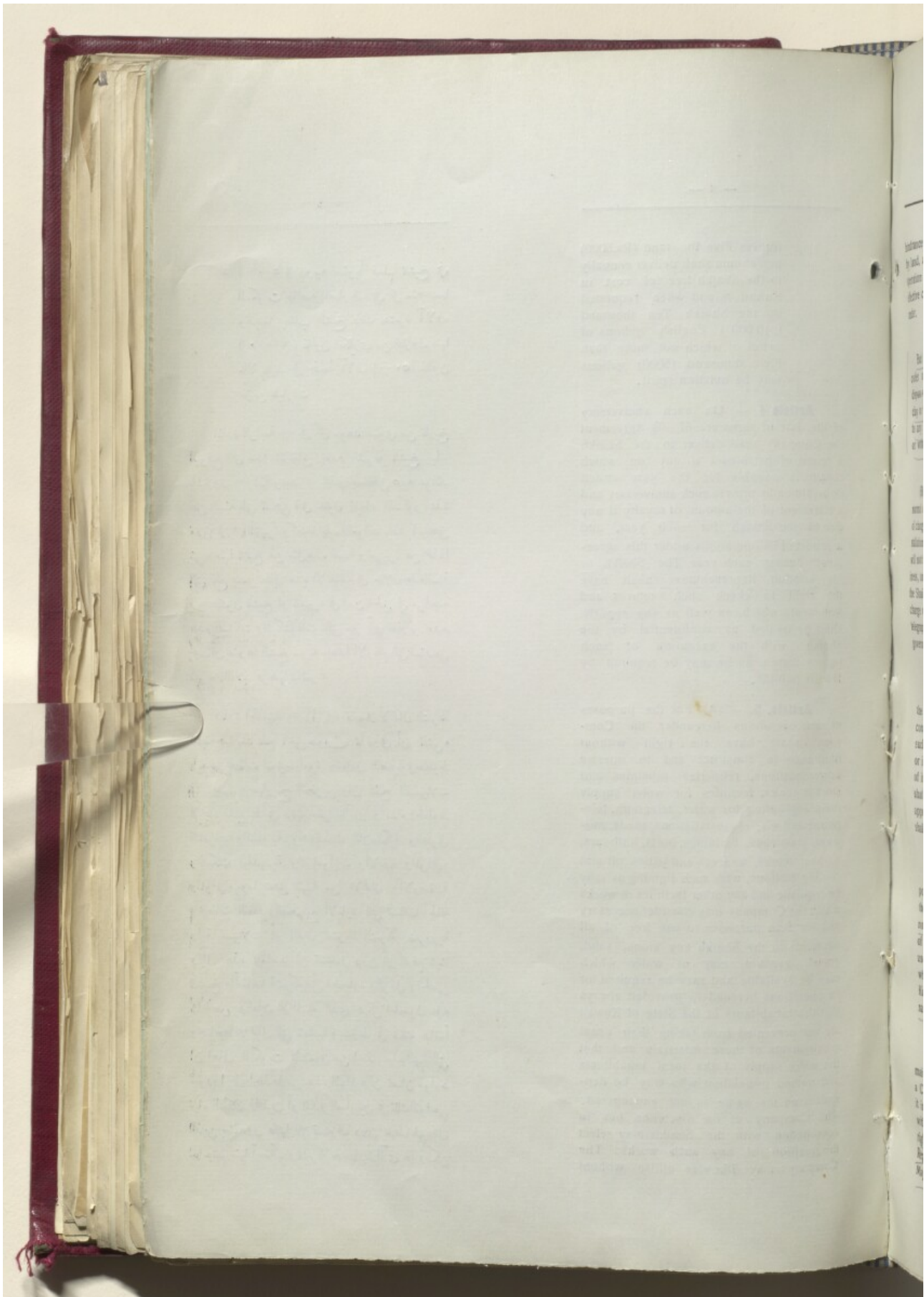
Article. 5. — (A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph, telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary and for such purposes to use free of all payments to the Shaikh any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the inhabitants of the State of Kuwait are not prevented from taking their usual requirements of these materials and that the water supply of the local inhabitants and nomad population who may be dependant on the same is not endangered. The Company at its discretion but in consultation with the Shaikh may select the position of any such works. The Company may likewise utilise without

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(٥٠٠٠) روبيه سنوياً تسلم للشيخ في الكويت خالصة المصاريف في كل سنة حسبما وعندما يطلب الشيخ ذلك عشرة آلاف (١٠٠٠٠) غالون انكليزي من البترول منها مالا يزيد على خمسة آلاف (٥٠٠٠) غالون بترين طيارات

المادة الرابعة — في كل موعد سنوي من تاريخ التوقيع على هذا الاتفاق تقدم الشركة للشيخ بياناً بالبترول — اذا وجد — الذي يستحق عليه عوائد عن السنة التي تنتهي قبل حلول الميعاد المذكور بمدة ثلاثة (٣) أشهر وكشفاً بقيمة الموائد اذا استحق شي منها للشيخ عن مثل هذه السنة وتقريباً عن اعمالها التي تقع ضمن نطاق هذه الاتفاقية في خلال هذه السنة ويكون للشيخ او مندوبه في لندن الحق في مراجعة هذه البيانات والكشوفات التي مع أي تقارير تقدم يجب أن يعتمدها الشيخ سرية ماعدا الأرقام التي تستدعي شريعة البلاد عرضها للفسر :

المادة الخامسة — (أ) انه تسهلاً لأعمال الشركة المبينة فيها بعد منح الحق دون ممانعة في أن تنشيء وتدير محطات لتوليد القوة ومعامل التصفية وخطوط الانابيب وصهاريج التخزين وأن تمنح التسهيلات لإنشاء المياه بما في ذلك حفر الآبار وإنشاء الخطوط التفرعية والتفويية وكذلك الاسلاك والطرق والسكك الحديدية وال تراموايات والابنية والمرافق والموانئ وما يتعلق بها من الاعمال والارصفة ومحطات النفط والفحم مع الانارة التي تتطلبها الحالة واية تسهيلات أو اعمال تعتبرها الشركة ضرورية ونثل هذه المقاصد ان تستعمل دون أن تدفع شيئاً للشيخ ما تحتاجه الشركة من الحجارة والرمال والحصى والجبس والطين او الماء الذي يمكن الحصول عليه وتحتاجه للأعمال التي تتطلبها وبشروط في ذلك دائماً ان اهالي الكويت لا يمتنعون من اخذ حاجاتهم التي تمودوا على اخذها من هذه المواد وان تصان موارد مياه السكان المحليين أو البدو الضارين في تلك التواحي الذين يعتمدون عليها فلا تستنزف دون حصولهم على حاجتهم منها أيضاً . وللشركة حراً أي لها ولكن





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hindrance all such means of transportation by land, air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

But nothing in this Article (5A) shall confer on the Company the right to dispose of stone, sand, gravel, gypsum, clay or water- by sale, export or otherwise to any other company or person within or without the State of Kuwait.

(B) The Company shall under normal condition accept and transmit free of charge on its wireless and telegraph installations such of the Shaikh's messages as will not interfere with the Company's business, and in times of national emergency the Shaikh shall have the full use free of charge of The Company's wireless and telegraph installations and railways for governmental purposes.

(C) The Shaikh's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or appurtenances constructed by the Company shall be for its exclusive use.

The Company may use for the purposes of its operations the harbours along the coast of Kuwait but the Company shall not impede or interfere with the subjects of the Shaikh or their right to continue the use of existing harbours, anchorages, wharves and docks along the coast of Kuwait at present utilised by them for their sailing craft and fishing boats.

Article 6. — (A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh. The Shaikh has the right to select and appoint the chief Local Representative in consultation with His Majesty's Government.

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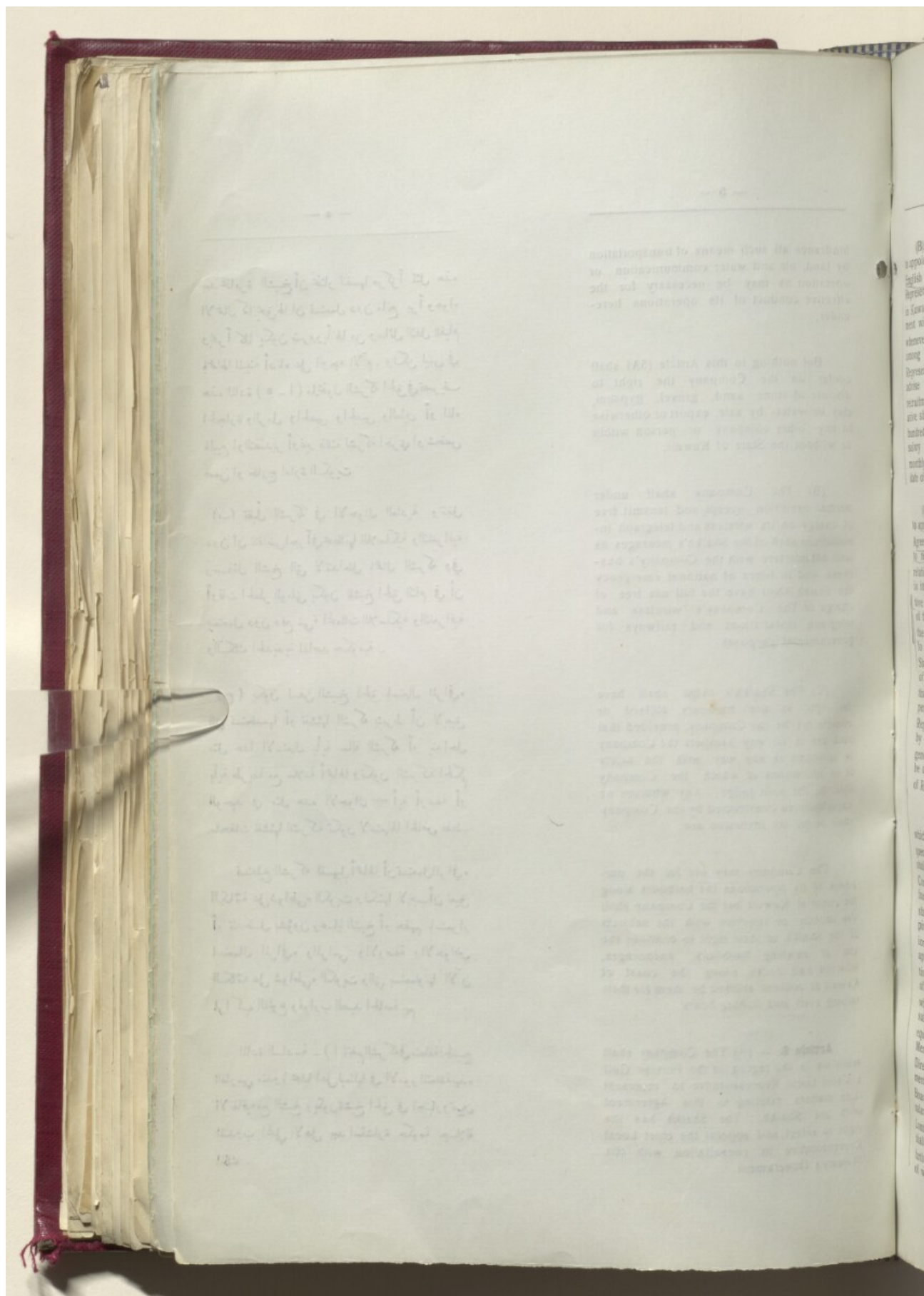
بعد مخابرة الشيخ أن تختار لنفسها مركزاً مثل هذه الاعمال كما يحق لها أن تستعمل دون مانع برأ وهواء وبحراً كلياً يكون ضرورياً لها من وسائل النقل للقيام بأعمالها المينة أدناه على الوجه الآثم. ولكن ليس في هذه المادة (٥ - ١) ما يجوز الشركة الحق في تصريف الحجارة والرمل والحصى والجبس والطين أو الماء بالبيع أو التصدير أو غير ذلك لشركة أخرى أو شخص ضمن أو خارج إمارة الكويت

(ب) تقبل الشركة في الأحوال العادية وتنقل دون أن تقاضى أجرأ في محطاتها اللاسلكية والتلغرافية رسائل الشيخ التي لا تتداخل بأعمال الشركة وفي أوقات الخطر الوطني يكون للشيخ الحق اتمام في أن يستعمل دون دفع شيء المحطات اللاسلكية والتلغرافية والسلك الحديدي لمقاصد حكومية.

(ج) يكون لسفن الشيخ الحق باستعمال المرافئ التي تستخدمها أو تنشئها الشركة بشرط أن لا يبيع مثل هذا الاستعمال بأية حالة الشركة أو يتداخل بأية طريقة مع سلامة أعمالها وتكون الشركة الحكم الوحيد في مثل هذه الأحوال — أية أرصفة أو ملحقات تنشئها الشركة تكون لاستعمالها الخاص فقط.

تستطيع الشركة لتسهيل أعمالها أن تستعمل المرافئ الكائنة على شواطئ الكويت ولكنها لا يجب أن تعيق أو تتدخل بشؤون رعايا الشيخ أو حقهم باستمرار استعمال المرافئ والمراسي والأرصفة والأحواض الكائنة على شواطئ الكويت والتي يستعملونها الآن لراكب القلوع وقوارب الصيد الخاصة بهم

المادة السادسة (١) - تقيم الشركة في منطقة الخليج الفارسي مندوباً محلياً أعلى ليمثلها في الأمور المتعلقة بهذه الاتفاقية مع الشيخ ويكون للشيخ الحق في اختيار وتعيين المندوب المحلي الأعلى بعد استشارة حكومة جلالة الملك.





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(B) The Shaikh shall have the right to appoint an Arab conversant with the English language to act as his Official Representative and who will represent him in Kuwait in matters relating to this agreement with the Company, and particularly whenever unskilled labour is recruited from among the subjects of the Shaikh this Representative shall be consulted and advise the Company regarding any such recruitment. The salary of the Representative shall not be less than Rupees Eight hundred (Rs. 800/-) per month, and such salary shall be paid by the Company monthly to the Representative as from the date of his appointment by the Shaikh.

(C) The Shaikh shall have the right to appoint - from the effective date of this Agreement - a Representative in London to represent the Shaikh in all matters relating to this Agreement with the Company in its London Office and such Representative shall have full access to the records of the Company including the agenda of the Board meetings and shall be entitled to attend the Board's meetings at which the Shaikh's interests are discussed. The salary of such Representative shall not be less than Rupees Two thousand (Rs. 2,000) per month which shall be paid to the Representative by the Company and not by the Shaikh, but the travelling and general expenses of the Representative shall be defrayed from the abovementioned sum of Rupees Two thousand (Rs. 2,000)

The total duration of the period for which this Representative (or subsequent Representatives) is (are) to hold office shall not exceed twelve (12) years or until the Company declares that petroleum has been found in commercial quantities - whichever shall be the shorter period. After the expiration of such shorter period abovementioned the Shaikh shall have the right to appoint - in lieu of the Shaikh's Representative in London - One Member to the Board of Directors of the Company in London - who may be either a British or Kuwait subject - and such Member shall enjoy equal status and privileges with the other Members of the Company's Board of Directors. From the date of appointment by the Shaikh of the Member of the Board of Directors both the functions and salary of the Shaikh's Representative in London shall cease and the Company shall be automatically relieved of all further responsibility of payments to him of whatever nature.

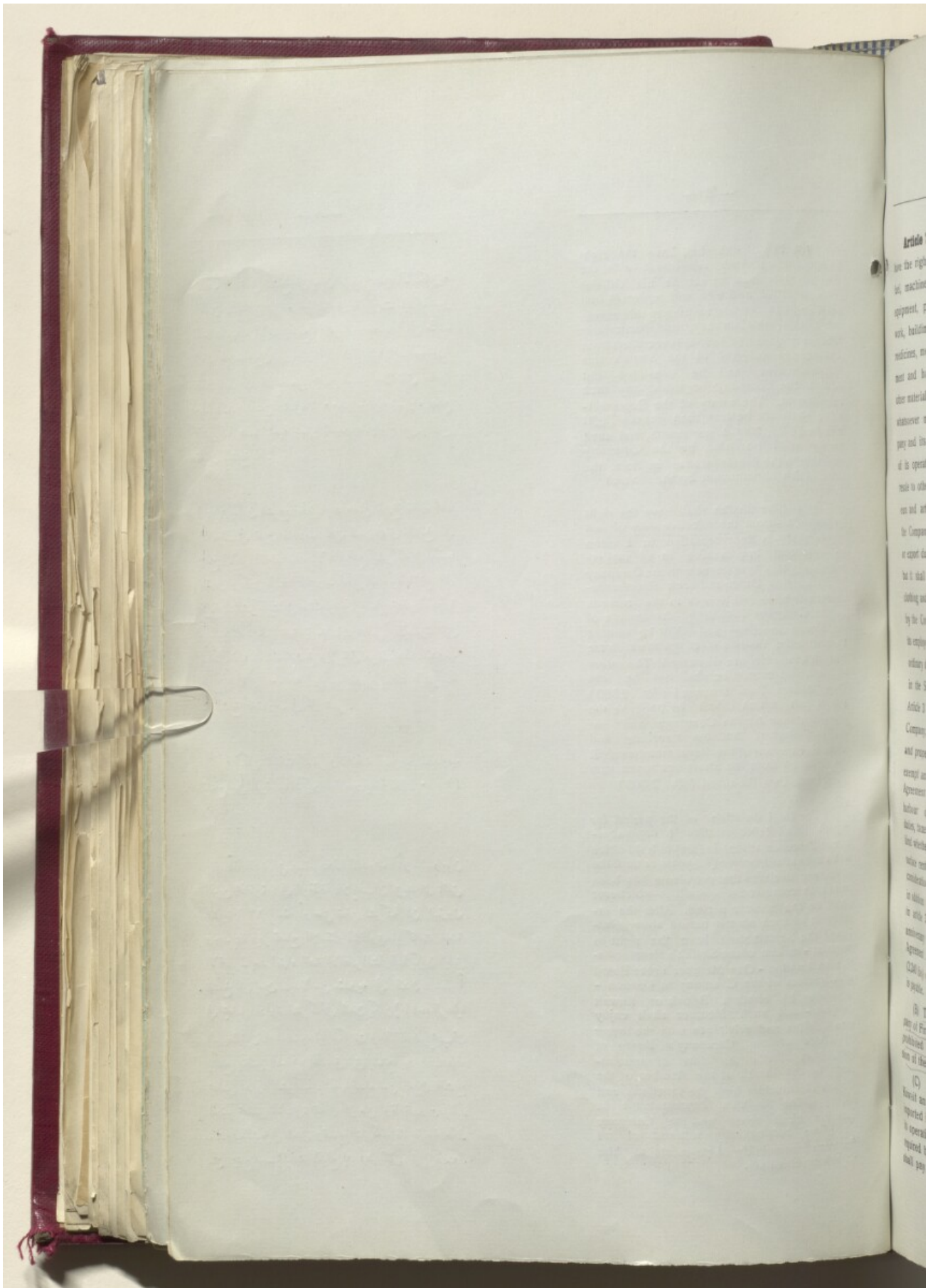
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(ب) يحق للشيخ ان يعين عربيا يحسن الانكليزية ليكون ممثله الرسمي وهو يمثل في الكويت في الامور المتعلقة بهذه الاتفاقية مع الشركة وخصوصا متى طالب عمال غير مبردين من بين رعايا الشيخ فانه يجب استشارة هذا المندوب فيما يخص تجميع العمال ولا تقل ماهية هذا المندوب عن مائة (٨٠٠) روبية شهريا وتُدفع الشركة هذه الماهية شهريا للمندوب ابتداء من تاريخ تعيين الشيخ له.

(ج) يكون للشيخ الحق ابتداء من تاريخ تنفيذ هذا الاتفاق في تعيين مندوب له في لندن لتمثل الشيخ في جميع الامور المتعلقة بهذه الاتفاقية مع الشركة في مكتبها بلندن ويكون لهذا المندوب الحق التام بالاطلاع على بيانات الشركة بما في ذلك بومية اجتماع مجلس الادارة ويكون له الحق بحضور جلسات مجلس الادارة التي تبحث فيها مصالح الشيخ ولا يقل مرتب هذا المندوب عن الفين (٢٠٠٠) روبية شهريا تدفعه الشركة لا الشيخ للمندوب في كل شهر.

ولكن نفقات السفر والنفقات العمومية للمندوب تدفع من المرتب المذكور اعلاه وقيمة الف (٢٠٠٠) روبية.

اما المدة التي يستمر هذا المندوب (أو المندوبون الذين يخلفونه) في الوظيفة فلا يجب ان تزيد على اثني عشرة (١٢) سنة أو حتى تعلن الشركة ان البترول وجد بمقادير تصلح للاستثمار التجاري ايا كانت المدة الاقصر - بعد انتهاء المدة الاقصر المشار اليها يكون الحق للشيخ بان يعين - بدلا من مندوبه في لندن - عضوا في مجلس ادارة الشركة في لندن يكون إما احد الرعايا البريطانيين أو أحد رعايا الكويت وهذا العضو يجب ان يتمتع بنفس الصفة والحوقوق التي يتمتع بها بقية أعضاء مجلس ادارة الشركة. انه ابتداء من تعيين الشيخ لعضو مجلس الادارة تبطل كل من وظائف ومرتب مندوب الشيخ في لندن وتصبح الشركة مافاة بطبيعة الحال من جميع مسؤوليات الدفع له مما كان نوع ذلك.





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Article 7. — (A) The Company shall have the right to import water, petroleum, fuel, machinery, motor - cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food, supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the Company shall in addition to the payments provided for in article 3 pay to the Shaikh on each anniversary of the date of signature of this Agreement annas per ton (2,240 lbs) of petroleum on which royalty is payable.

(B) The importation by the Company of Fire Arms and other weapons is prohibited except with the written permission of the Shaikh.

(C) If the Company should sell in Kuwait any material or goods previously imported into Kuwait for the purposes of its operations hereunder and no longer required by the Company, the Company shall pay to the Shaikh in respect of such

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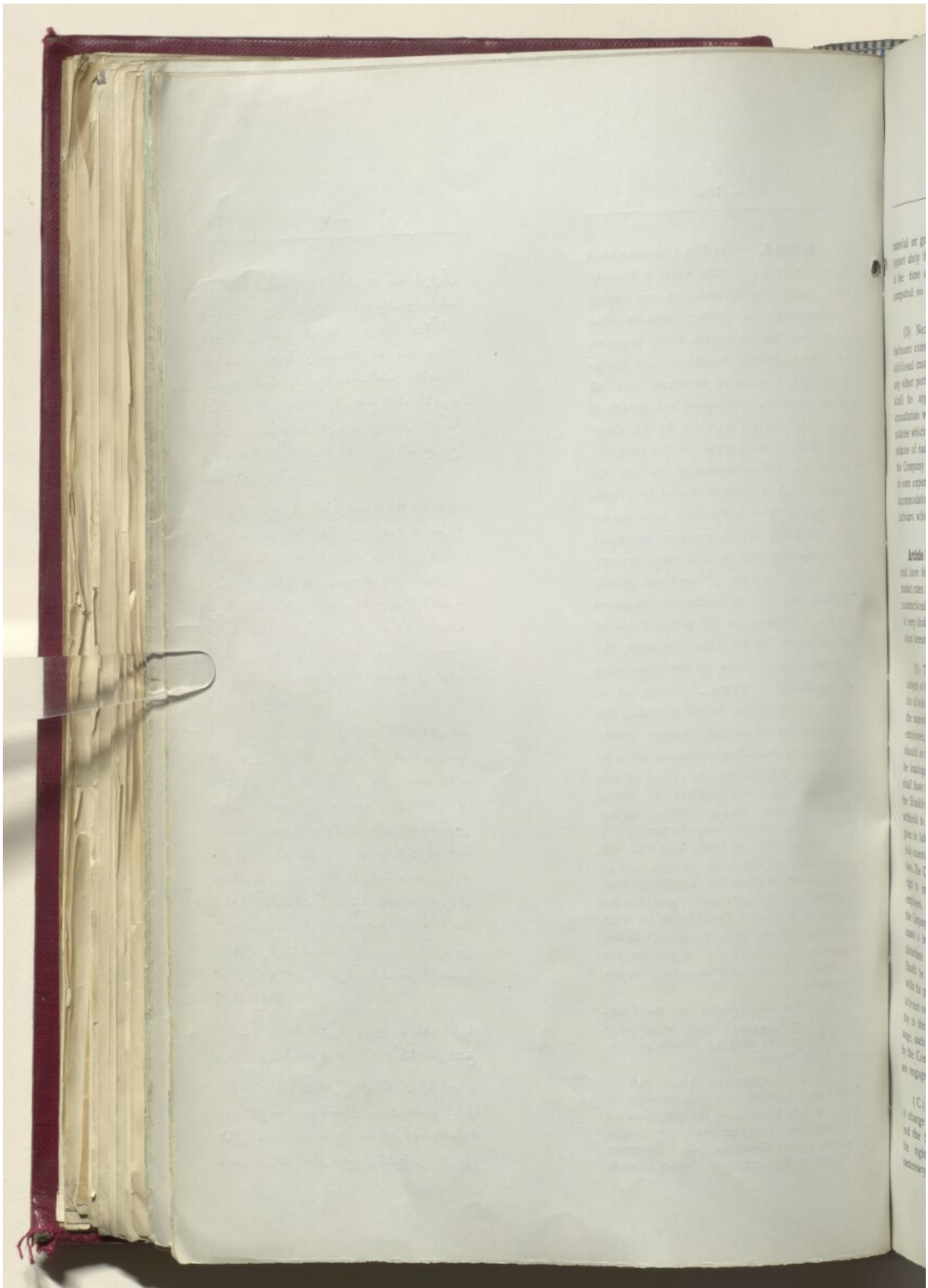
المادة السابعة — (١) يكون للشركة الحق في أن تستورد الماء والبتروال والوقود والمكينات والسيارات وسيارات النقل (الاوريات) والمهات والآلات والخشب والادوية والمنشوعات الحديدية ومواد البناء والاعذية والادوية والمعدات الطبية والادوات المنكنية والمنشورات البنية وجميع المواد الاخرى والمهات والبضائع منها كان نوعها التي تحتاجها الشركة وعملها لقيام باعمالها المينة هنا ولكن لايسمح ببيع هذه الاشياء للآخرين .

وكذلك بحق للشركة أن تصدر بترولها والادوات التي استوردتها قبلا معفية من الرسوم أو ضريبة الوارد والصادر والضرائب أوغير ذلك من المدفوعات ولكن يجب عليها دفع رسوم على جميع ما تستورده من البضائع الشخصية والملبوسات والبضائع التجارية العادية العمومية التي تستوردها الشركة للاستعمال الشخصي لمستخدميها أو لبيعها لم قياساً على ماتقاضاه الحكومة من الرسوم العادية المفروضة في الوقت الحاضر في اماره الكويت .

وانه ماعدا ماورد في المادة الثالثة وفي هذه المادة فان الشركة وعملاتها وابرادها وارباحها وممتلكاتها بما في ذلك البترول تكون معفاة خلال مدة هذا الامتياز من جميع رسوم المرافيء الحالية أو المستقبلية ورسوم الوارد والصادر والموائد والمكوس والمدفوعات منها كان نوعها حكومية كانت أم محلية وعوائد المرور وأجرة الاراضي المنعوجة من أي نوع ومقابل ذلك تدفع الشركة للشايف غير الدفعات المقررة في بند ٣ عند حلول يوم الذي تم فيه التوقيع على هذا الاتفاق من كل سنة جديدة مبلغ أنات عن كل طن (٢٢٤٠ ليبرة) من البترول تستحق عليه ضريبة الموائد الحالية

(ب) أن قيام الشركة بتوريد الاسلحة التارية وغيرها من الاسلحة ممنوع الا بأذن كتابي من الشايف

(ج) اذا باعت الشركة في الكويت اية ادوات او بضائع سبق استيرادها الى الكويت لاحتاجها اليها في عملاتها المينة فيما بعد ولم يعد للشركة اليها حاجة فيجب على الشركة أن تدفع الى الشايف عن مثل هذه





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material or goods sold the equivalent of import duty thereon at the rate in force at the time of sale. The duty shall be computed on the price received on sale.

(D) Necessary customs officials at harbours constructed by the Company or additional customs officials required at any other ports utilised by the Company shall be appointed by the Shaikh in consultation with the Company and their salaries which shall not exceed the usual salaries of such officials shall be paid by the Company which shall also provide at its own expense suitable buildings for the accommodation of customs officials at harbours which it has constructed.

Article 8. - (A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right with the approval of the Shaikh which shall not be unreasonably withheld to import labour preference being given to labourers from the neighbouring Arab countries who will obey the local laws. The Company shall also have the right to import skilled and technical employees. Any employee imported by the Company who shall by misconduct cause a breach of peace or public disturbance shall at the request of the Shaikh be dismissed and shall if it is within the power of the Company to do so be sent out of Kuwait. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Shaikh and his family shall have the right to such medical service and necessary medical supplies free of charge.

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الادوات او البضائع المباعة ما يوازي رسم الوارد على معدل المتحصل عند وقت البيع وبحسب رسم الوارد على قيمة الثمن المقبوض من المبيع .

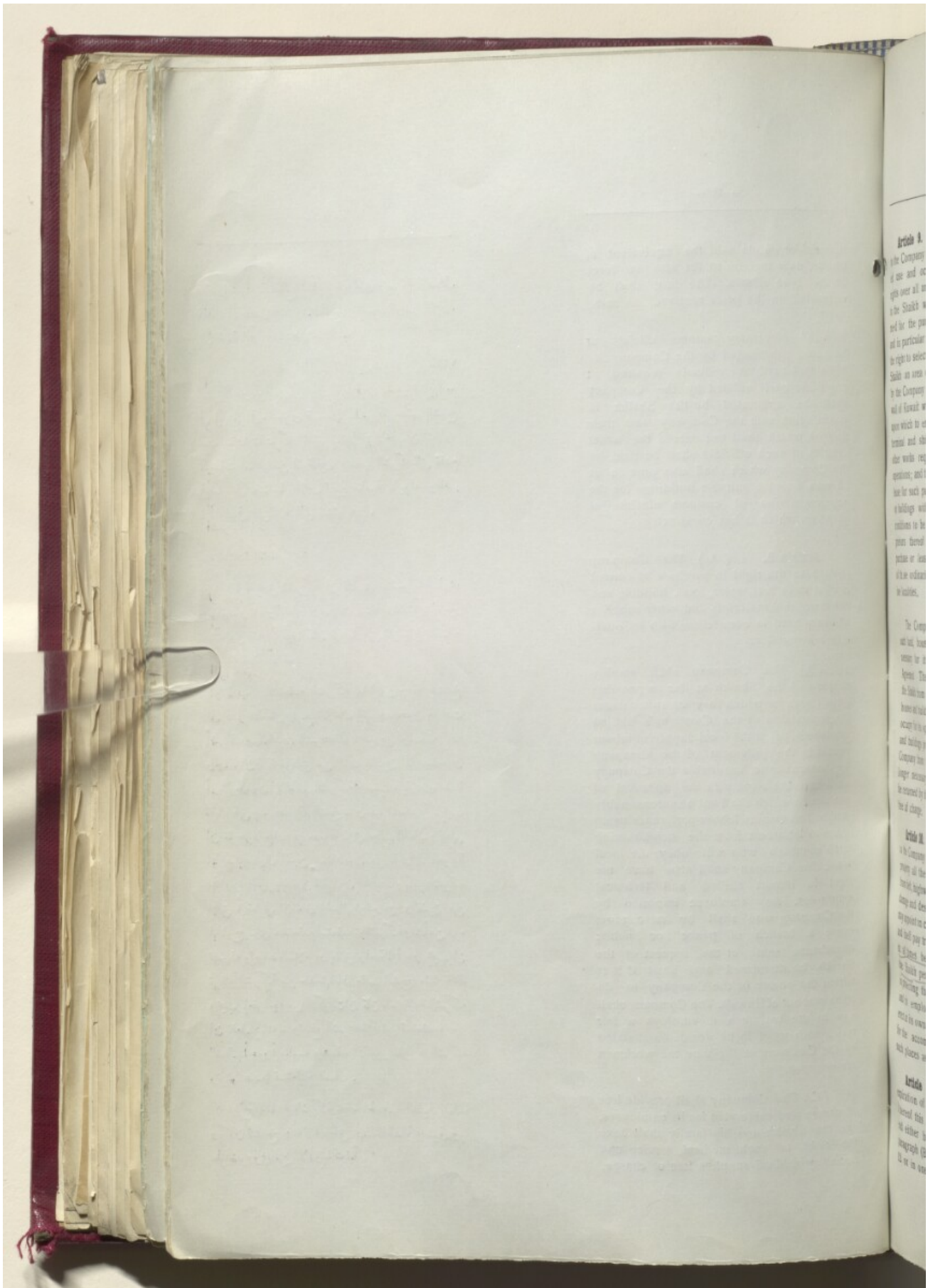
(د) ان موظفي الجمارك للامرين العراقيين التي تنشأها الشركة او موظفي الجمارك الاضافيين الذين يحتاج اليهم في اية مرافئ اخرى تستعملها الشركة بعينهم الشيخ بعد استشارة الشركة . امام رتباتهم التي لا يجب ان تتجاوز مرتبات امثالهم من الموظفين فتدفعها الشركة التي تقدم ايضاً على حسابها الخاص ابنية مناسبة لايواء موظفي الجمارك في المرافئ التي تنشأها هي .

المادة الثامنة —

(ا) يحق للشركة ان تشتري بالسعر الجاري الوقود والماء والطعام وادوات البناء والمنشآت وغير ذلك من المنتجات مهما كان نوعها التي تلزمها للقيام بأعمالها المبنية أدناه .

(ب) تستخدم الشركة عمالاً من رعايا الشيخ على قدر الامكان لجميع الاعمال التي يصلحون لها تحت اشراف مستخدمي الشركة الخبيرين ولكنه اذا وجد ان الموجودين من العمال المحليين لا يصلحون أو لا يكفون لاعمال الشركة بحسب ما يراهى لها فلها الحق بعد مصادقة الشيخ - وهذه المصادقة لا يجب ان تؤخر لاسباب غير معقولة - في جاب العمال وتعطى الأفضلية للعمال الذين يستقدمون من البلدان العربية المجاورة الذين يطيعون القوانين المحلية . ويكون للشركة الحق ايضاً في ان تأتي بالعمال الخبيرين والفنيين من الخارج - اي مستخدمين استخدمته الشركة ونشأ عن سوء تصرفه ما يهدد السلام او يقلق راحة الجمهور يجب ان ترفقه الشركة من خدمتها اذا طلب الشيخ منها ذلك ويجب اخراجه من الكويت ان كان باستطاعة الشركة ان تفعل ذلك - وتدفع الشركة لمن تستخدمه من العمال أجوراً مناسبة وهذه الاجور تقرررها الشركة وتبينها عندما تستخدم العمال .

(ج) تقدم الشركة مجاناً الخدمة الطبية لعمالها ويكون للشيخ وعائلته الحق بهذه الخدمة الطبية وما هو ضروري من الادوية مجاناً .





Article 9. — The Shaikh grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Shaikh which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Shaikh an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any other works required for the Company's operations; and the Company may buy or lease for such purposes any lands, houses or buildings with the consent of and on conditions to be arranged with the proprietors thereof but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities.

The Company shall acquire only such land, houses and buildings as are necessary for its operations under this Agreement. The Company shall inform the Shaikh from time to time of the land, houses and buildings which it requires to occupy for its operations; and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh free at charge.

Article 10. — The Shaikh shall give to the Company and its employees and property all the protection in his power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint in consultation with the Shaikh and itself pay trustworthy guards who shall at all times be Kuwait subjects unless the Shaikh permits otherwise to assist in protecting the property of the Company and its employees. The Company shall erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11. — (A) Before the expiration of the period specified in Article I hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases :-

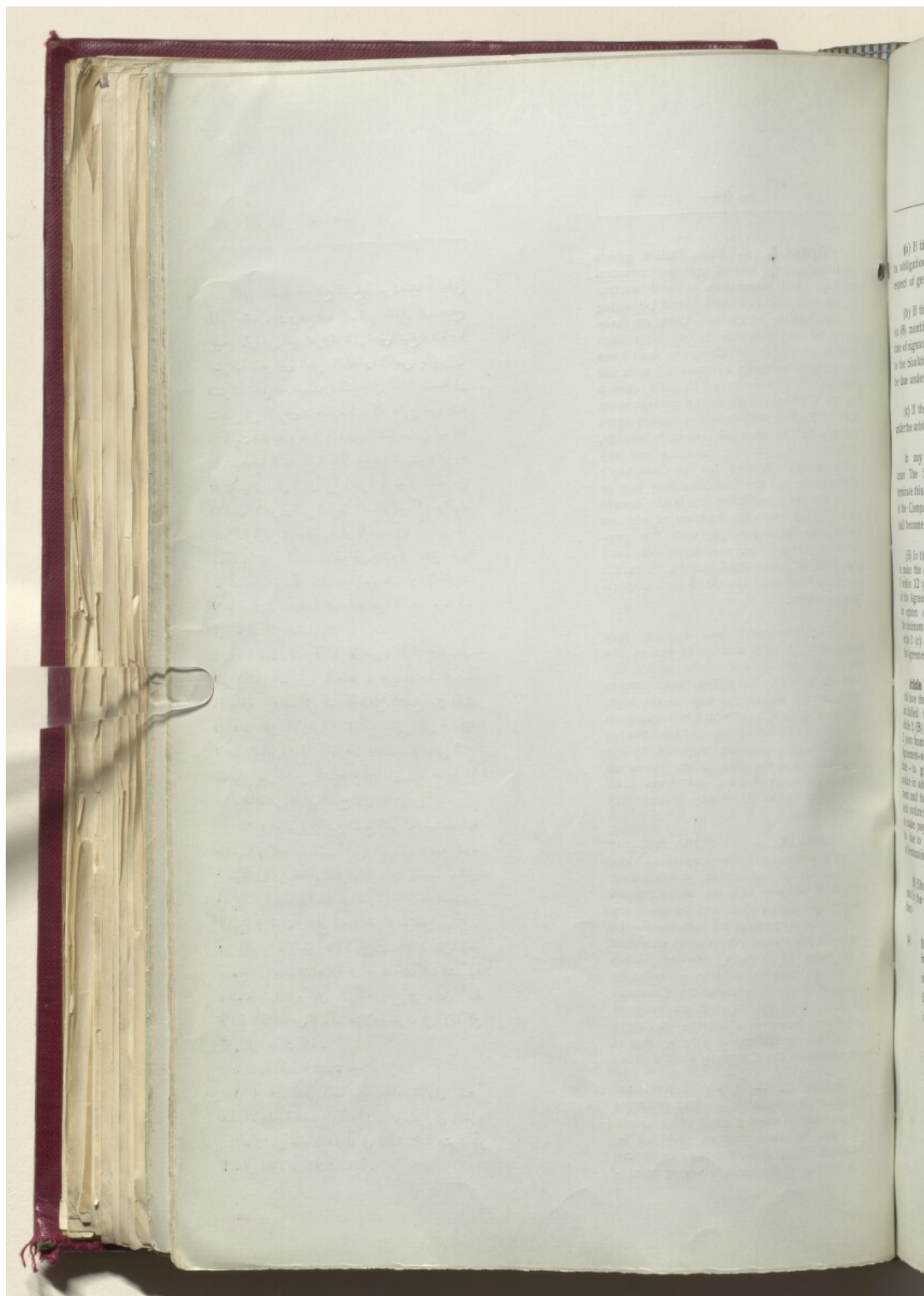
المادة التاسعة — يمنح الشيخ الشركة مجانياً الحق التام باستعمال أو وضع اليد على أو الحقوق على سطح جميع الاراضي الغير محرومة التي تخص الشيخ وتحتاجها الشركة لأغراض تتعلق بأعمالها وبالأخص يكون للشركة الحق بعد استشارة الشيخ في اتخاذ منطقة أو مناطق من الارض مما يختاره الشركة خارج سور بلدة الكويت الحالية ويكون لها الحق المطلق دون سواها على سطحها لتشييد عليها مباني لتصفية الزيت وتخزينه أو لتسهيلات في النقل برأً وبحراً أو غير ذلك من الاعمال الاخرى التي تتطلبها أعمال الشركة وتحويل الشركة الحق في مشترى أو تأجير أية أراضي أو بيوت أو مباني لهذه الأغراض بشروط يتفق عليها مع أصحابها ولكن مثل هذه البيوعات أو الإيجارات لا يجب أن تزيد قيمة الصفقات فيها عما هو متعارف في الجهات التي تعقد فيها .

ولا تملك الشركة الا الارض والمنازل والمباني التي تكون ضرورية لأعمالها بموجب شروط هذه الاتفاقية . وتتكفل الشركة بإبلاغ الشيخ من وقت إلى آخر عن الارض والمنازل والمباني التي تحتاجها لأجل القيام بأعمالها والارض والمنازل والمباني التي تملكها الشركة من الشيخ ثم يجب ان لا حاجة لها بها لأعمالها ترددها الى الشيخ دون مقابل .

المادة العاشرة — يمنح الشيخ الشركة ومستخدميه وتملكاتها كافة وسائل الحماية التي في وسعه لدفع السرقات ومن قطاع الطرق والتعدي وتعهد تعطيل الاعمال والتدمير وتستطيع الشركة — بعد استشارة الشيخ أن تبين وتدفع أجور خفراء موثوق بهم ويجب أن يكونوا دائماً من رعايا الكويت — الا اذا كان الشيخ يسمح بغير ذلك لمساعدوا على حراسة ممتلكات الشركة ومستخدميه . ويكون للشركة الحق في انشاء أبنية لائقة بمالها الخاص لا يواء هؤلاء الخفراء في الاماكن التي تقررها الشركة .

المادة الحادية عشرة —

(١) قبلما تنتهي المدة المبينة بالمادة الاولى ينتهي هذا الاتفاق اما بتسليم الاعمال كما هو مقرر في الفقرة (ب) من هذه المادة أو في المادة الثانية عشرة أو احدى الحالات الثلاث التالية .





(a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.

(b) If the Company shall fail within six (6) months after any anniversary of the date of signature of this Agreement to make to the Shaikh any payments agreed to be due under Article 3.

(c) If the Company shall be in default under the arbitration provisions of article 18

In any of the above mentioned cases The Shaikh shall be entitled to terminate this Agreement and all the property of the Company within the State of Kuwait shall become the property of the Shaikh.

(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Shaikh the minimum annual payment provided in Article 3 (c) or surrender all rights under this Agreement.

Article 12. — (A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2 (B) (i) or after the expiry of 2 years from the date of signature of this Agreement-whichever shall be the later date - to give the Shaikh one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Shaikh up to the date of termination

(B) Should this Agreement be terminated by the Company under this Article 12, then:-

- (a) If such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time

(١) اذا عجزت الشركة عن القيام بما هو مفروض عليها بموجب المادة الثانية من هذه الاتفاقية فيما يتعلق بالاستكشاف الجيولوجي أو الحفر .

(٢) اذا عجزت الشركة في خلال سنة (٦) أشهر بعد انتهاء ميعاد أية سنة من تاريخ توقيع هذه الاتفاقية عن أن تؤدي للشيخ أية دفعات تستحق عليها بموجب المادة الثالثة :

(٣) اذا قصرت الشركة عن القيام بما تتطلبه شروط التحكيم الواردة في المادة ١٨ .

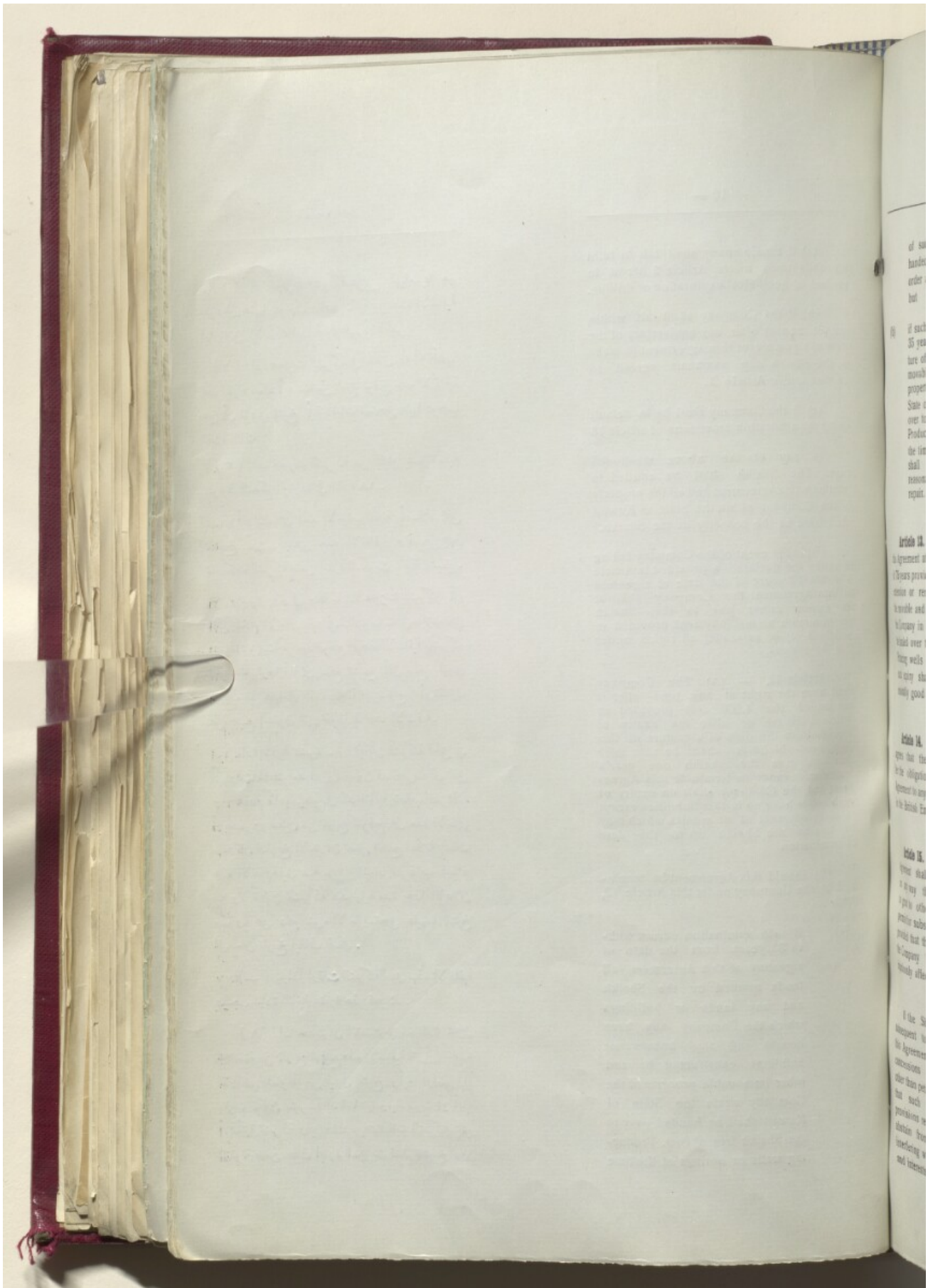
وأنه بناء على أحد الأسباب المبينة أعلاه يحق للشيخ أن ينهي هذه الاتفاقية وتصبح جميع ممتلكات الشركة ضمن إمارة الكويت ملكا للشيخ .

(ب) انه في حالة ما اذا عجزت الشركة أن تعلن عما تم الاتفاق عليه في المادة الثالثة في خلال اثنتي عشرة (١٢) سنة من بعد التوقيع على هذه الاتفاقية فللشركة الحق باختيارها إما أن تدفع للشيخ أقل مبالغ سنوي كما هو متفق عليه في المادة الثالثة فقرة (ج) أو تتنازل عن جميع الحقوق التي يخولها لها هذه الاتفاقية .

المادة الثانية عشرة - (١) يكون للشركة الحق في أي وقت شاءت بعد أن تكون قد حفرت إلى عمق ٤٠٠٠ قدم كما هو مرسوم في المادة الثانية بند (ب) فقرة (١) أو بعد مرور سنتين من تاريخ التوقيع على هذا الاتفاق مهما كان التاريخ الاخير أن تعطي الشيخ اعلانا بإبطال هذه الاتفاقية قبل سنة من الميعاد المرغوب بإبطاله فيه ولا تكون الشركة عند نهاية مدة هذا الاعلان مسؤولة عن دفع شيء الا ما يستحق عليها للشيخ إلى حين تاريخ إيقاف العمل .

(ب) وإذا أوقفت الشركة العمل بهذه الاتفاقية بموجب المادة الثانية عشرة هذه فيجب أن:

(١) اذا حدث ان انقضت هذه المدة خلال ٣٥ سنة من تاريخ توقيع هذه الاتفاقية فإن جميع الاراضي الممنوحة من قبل الشيخ وأية أراضي أو بنايات تكون الشركة قد ابتاعها وأية بيوت أو أبنية أنشأها الشركة وغير ذلك من ممتلكات الشركة الغير المنقولة ضمن نطاق إمارة الكويت تسلم للشيخ دون





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of such termination shall be handed over in reasonably good order and repair.

- (b) if such termination occurs after 35 years from the date of signature of this Agreement all the movable and immovable property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

Article 13. — On the Expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the movable and immovable property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such expiry shall be handed over in reasonably good order and repair.

Article 14. — The Shaikh hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered with in the British Empire.

Article 15. — (A) Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions or permits for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

If the Shaikh should at any date subsequent to the date of signature of this Agreement grant to any other parties concessions or permits for substances other than petroleum, the Shaikh undertakes that such concessions shall contain provisions requiring the holders thereof to abstain from damaging impeding or interfering with the property operations and interests of the Company.

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مقابل . أما الآبار والحفائر التي ينبع منها النفط عند ميعاد انتهاء أجل هذا الاتفاق فتسلم بحالة جيدة مناسبة وصالحة للعمل .

ولكن

(٢) إذا حصل هذا الانتهاء بعد مرور ٣٥ سنة من تاريخ التوقيع على هذه الاتفاقية فإن جميع ممتلكات الشركة المنقولة والثبر منقولة في إمارة الكويت تسلم للشيوخ دون مقابل

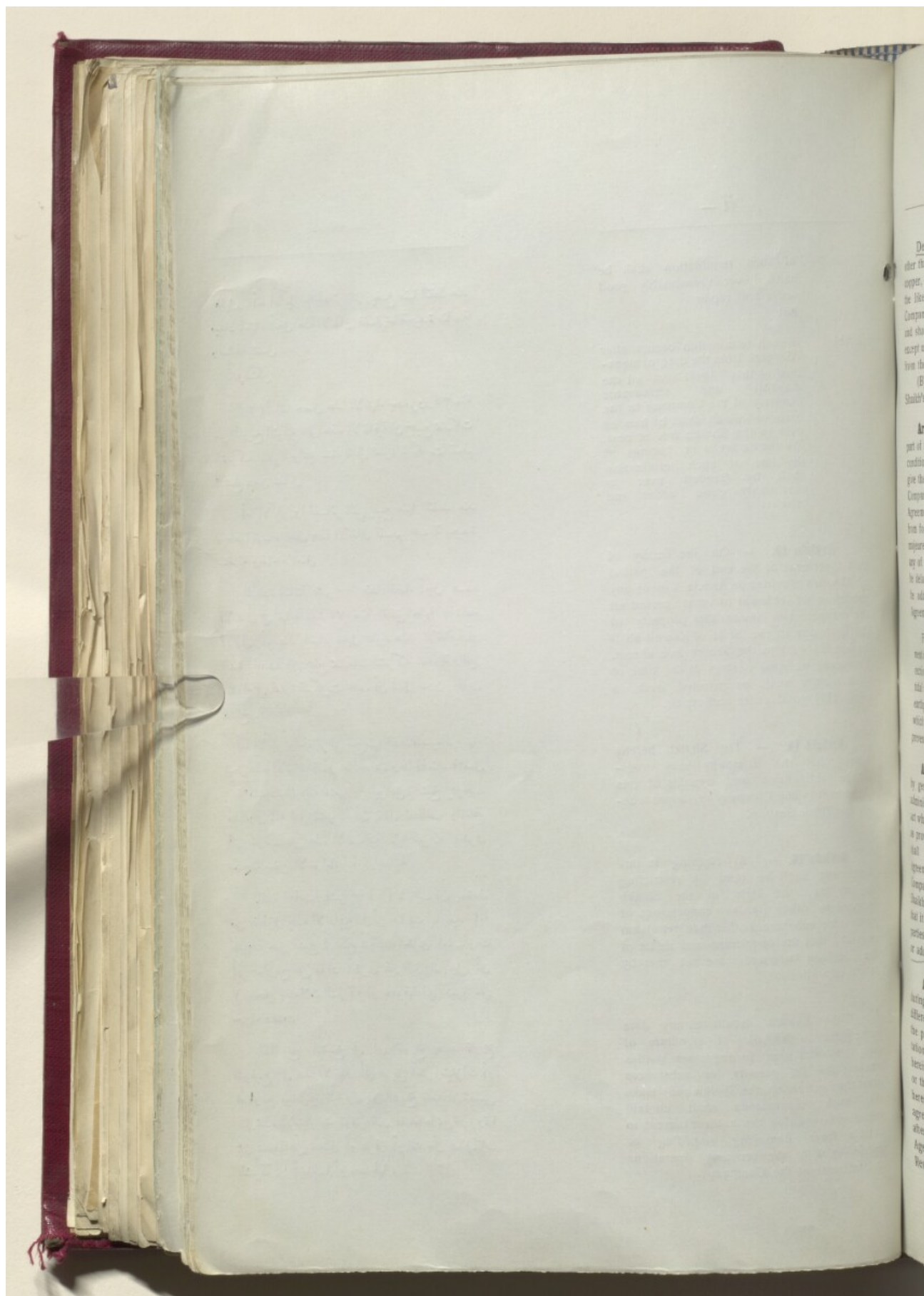
أما الآبار والحفائر التي ينبع منها النفط عند ميعاد انتهاء أجل هذا الاتفاق فتسلم بحالة جيدة مناسبة وصالحة للعمل .

المادة الثالثة عشر — عند انقضاء أجل هذا الاتفاق في نهاية مدة ٧٥ سنة المتفق عليها بالمادة الأولى أو عند انتهاء أجل تجديد هذه الاتفاقية أو المدة المجددة فإن جميع ممتلكات الشركة المنقولة والثبر منقولة في إمارة الكويت يجب أن تسلم دون مقابل للشيوخ .

أما الآبار والحفائر التي ينبع منها النفط عند ميعاد انتهاء أجل هذه الاتفاقية فتسلم بحالة جيدة وصالحة مناسبة للعمل المادة الرابعة عشر — يوافق الشيخ بموجب هذا على أنه يحق للشركة أن تنقل المطالب والمنافع التي تترتب على هذه الاتفاقية لاية شركة أخرى مسجلة ضمن الامبراطورية البريطانية .

المادة الخامسة عشر — (١) لا يجب ان يستدل من منطوق هذه الاتفاقية على أن هناك ما يقيد بآية طريقة حق الشيخ في منح شركات أخرى امتيازات أو تصاريح عن مواد أخرى غير البترول على أن لا يبلحق معاملات الشركة أو حقوقها أي ضرر من جراء ذلك .

إذا منح الشيخ في أي تاريخ بعد تاريخ التوقيع على هذا الاتفاق أي فريق آخر امتيازات أو تصاريح بمواد غير البترول فإن الشيخ يتعهد ان تتضمن مثل هذه الامتيازات بنود يطلب مقتضاها من يجوزونها ان تمتنعوا عن تعطيل أو عرقلة أو التدخل بممتلكات الشركة أو أعمالها أو مصالحها .





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Deposits of mineral substances other than petroleum such as gold, silver, copper, lead, potash, sulphur and salt or the like which may be discovered by the Company shall be reported to the Shaikh and shall not be worked by the Company except under a special concession or permit from the Shaikh.

(B) The Company shall use the Shaikh's flag within the State of Kuwait.

Article 16. — Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.

Force majeure as used in this Agreement includes the act of God, war, insurrection, riot, civil commotion, tide, storm, tidal wave, flood, lightning, explosion, fire, earthquake, and any other happening which the Company could not reasonably prevent or control.

Article 17. — The Shaikh shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement except as provided in Article 11. No alteration shall be made in the terms of this Agreement by either the Shaikh or the Company except in the event of the Shaikh and the Company jointly agreeing that it is desirable in the interest of both parties to make certain alterations, deletions or additions to this Agreement.

Article 18. — (A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, or after consultation with the British Political Agent in Kuwait or the British Political Resident in the Persian Gulf, be referred

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ان المواد المدخورة في الارض من المعادن غير البترول كالذهب والفضة والنجاس والرصاص واليونان والكبريت والمناخ أو ما اشبه ذلك اذا اكتشفتها الشركة فانها تبلغ الشيخ أمرها ولا تعمل بها الا بامتنان او تصريح خاص من الشيخ .

(ب) تستعمل الشركة راية الشيخ ضمن منطقة اراضي الكويت .

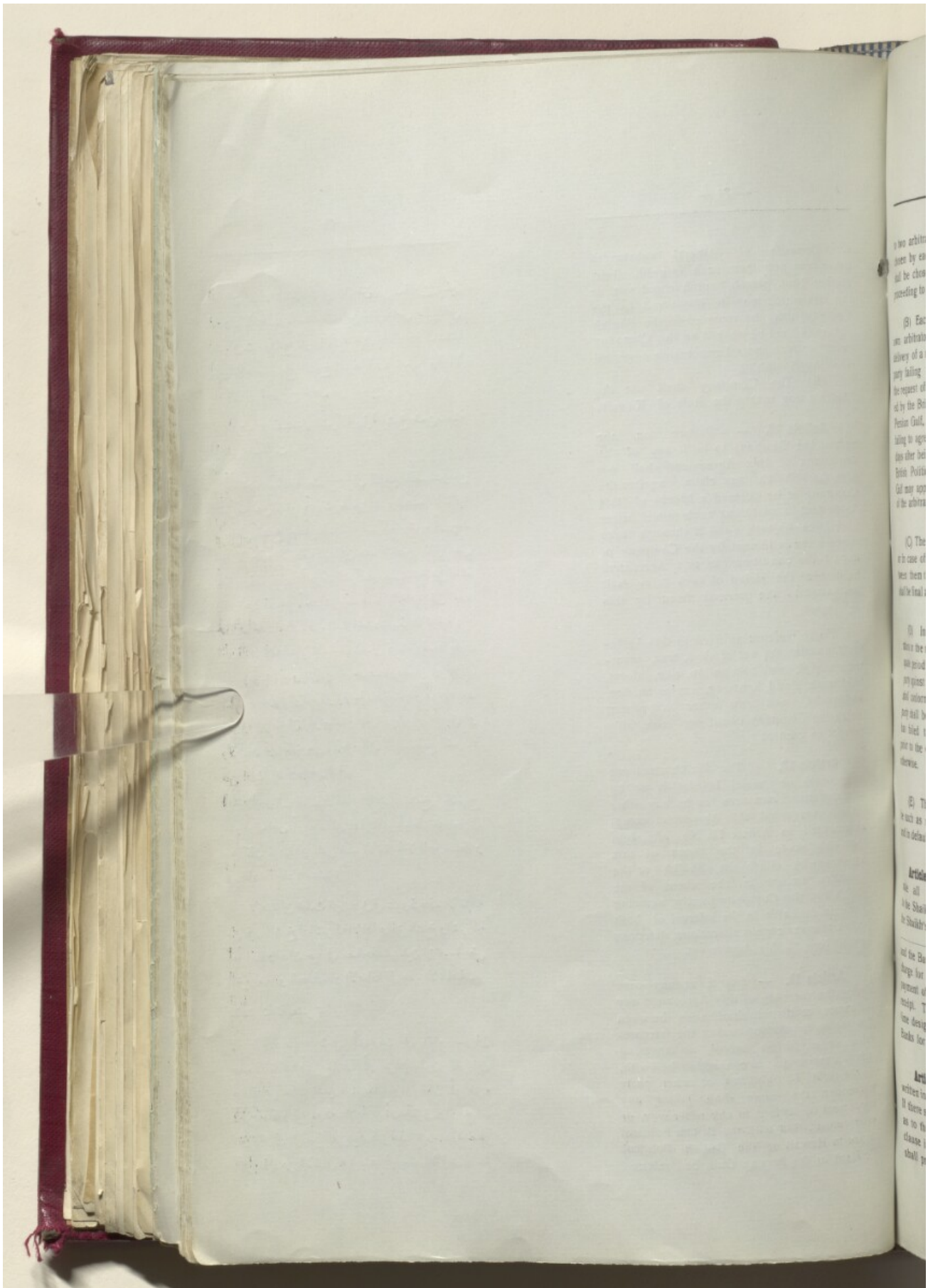
المادة السادسة عشر — ان التقصير الصادر من الشركة عن القيام بأي شرط من شروط هذه الاتفاقية لا يعطي الشيخ حقاً بمطالبة الشركة بشيء أو يعد اخلافاً بهذه الاتفاقية اذا كان هذا التقصير ناتجاً عن قضاء وقدر واذا تأخرت الشركة بسبب نتائج عن قضاء وقدر عن القيام بأحد شروط هذه الاتفاقية فان مدة هذا التأخير تضاف الى المدة المحددة بهذه الاتفاقية . ايها تذكر في هذه الاتفاقية الكلتان قضاء وقدر يكون المقصود بهما قدر سماوي أو حرب أو عصيان أو قلاقل أو ثورة مدنية أو مد أو زوينة شديدة أو موجة مد شديدة أو طغيان أو صاعقة أو انفجار أو حريق أو زلزلة أو غير ذلك من الامور التي لا تستطيع الشركة ان تدفعها او تتسلط عليها .

المادة السابعة عشر — لا يجوز للشيخ بتشريع عام أو خاص أو بوسائل ادارية أو بأية طريقة اخرى مهاكاً نوعها ان يلغي هذه الاتفاقية الا بما هو مسطور في المادة الحادية عشرة

لا يجوز ان يحدث اي تعديل في شروط هذه الاتفاقية من قبل الشيخ او الشركة الا اذا وافق الشيخ والشركة معاً انها راغبان حياً في مصلحة الفريقين ان يجرى بعض التغييرات او الحذف او الاضافة الى هذه الاتفاقية .

المادة الثامنة عشر :

(١) اذا حدث في أي وقت في اثناء سريان هذه الاتفاقية أي خلاف أو نزاع ما بين الفريقين المتعاقدين حول تفسيره أو تنفيذه أو شأن أو شيء آخر مذكور فيه أو له علاقة به أو بالحقوق والواجبات المترتبة على كل من الفريقين فان هذا يجب اذا عجز الفريقان عن الاتفاق فيما بينهما او بعد المناقشة مع





to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.

(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19. — The Company shall make all payments that become due to the Shaikh under this Agreement into the Shaikh's account at the

Bank in

and the Bank's receipt shall be a full discharge for the Company in respect to the payment of the sum stated in the Bank's receipt. The Shaikh may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20 — This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

الوكيل السياسي البريطاني في الكويت او الممثل السياسي في الخليج الفارسي ان يعرض على حكيم مختار كل فريق واحداً منهما ويفصل بمختاره الحكمان قبل السير في اجراءات التحكيم .

(ب) يجب أن يمين كل فريق حكمه في خلال ٦٠ يوماً بعد استلام طلب بذلك من الفريق الآخر واذا تأخر عن ذلك فإن حكمه بناء على طلب الفريق الآخر يمين من قبل المقيم السياسي البريطاني في الخليج الفارسي واذا اختلف الحكمان على تعيين فيصل في خلال ستين يوماً من اختيارهما أو تعيينهما فإن المقيم البريطاني في الخليج الفارسي يتحول حق تعيين فيصل بناء على طلب الحكيم أو أي واحد منهما .

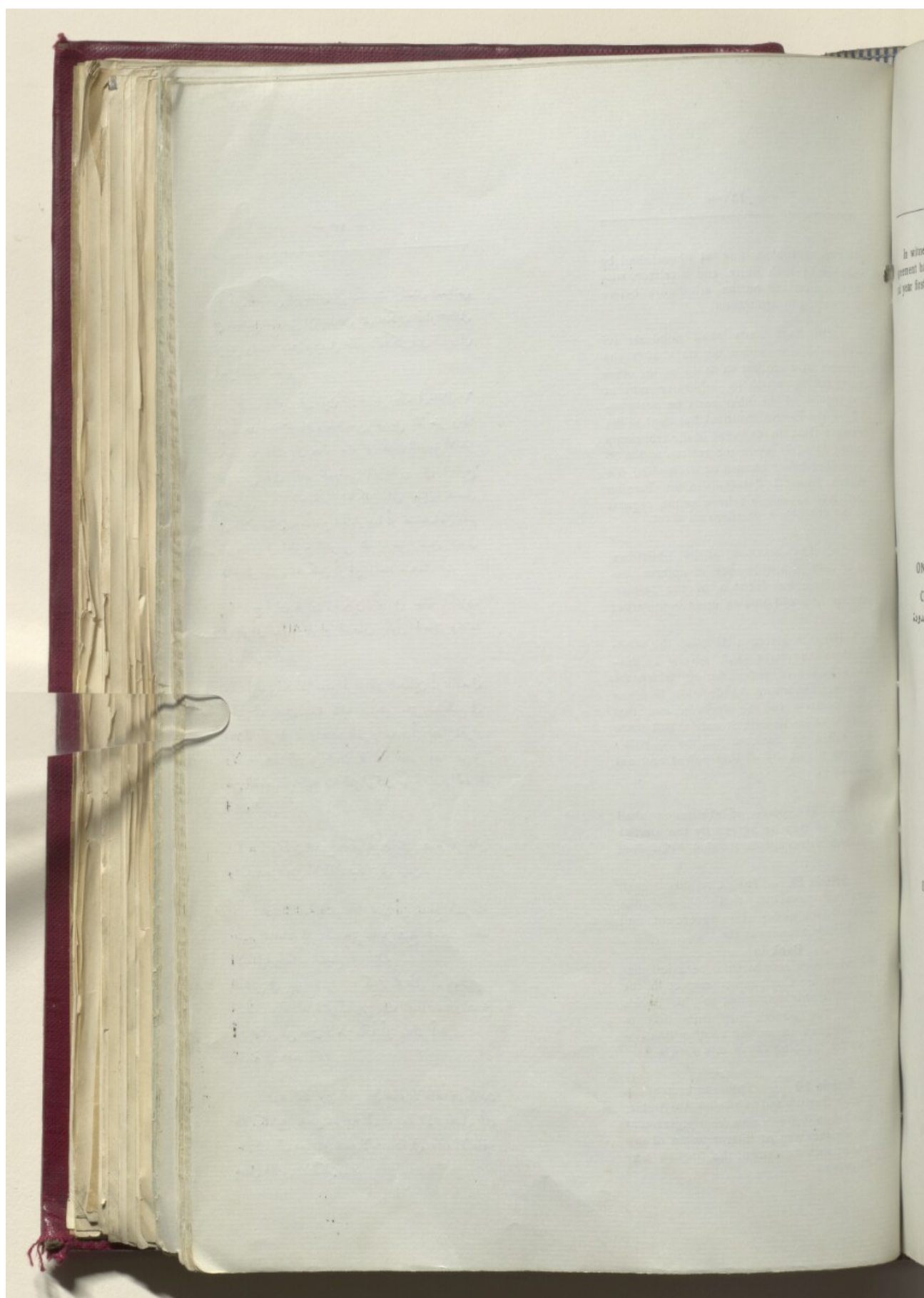
(ج) ان قرار الحكيم أو في حالة الخلاف في الرأي بينهما فقرار الفصيل يكون قاصداً ومحتماً على الفريقين .

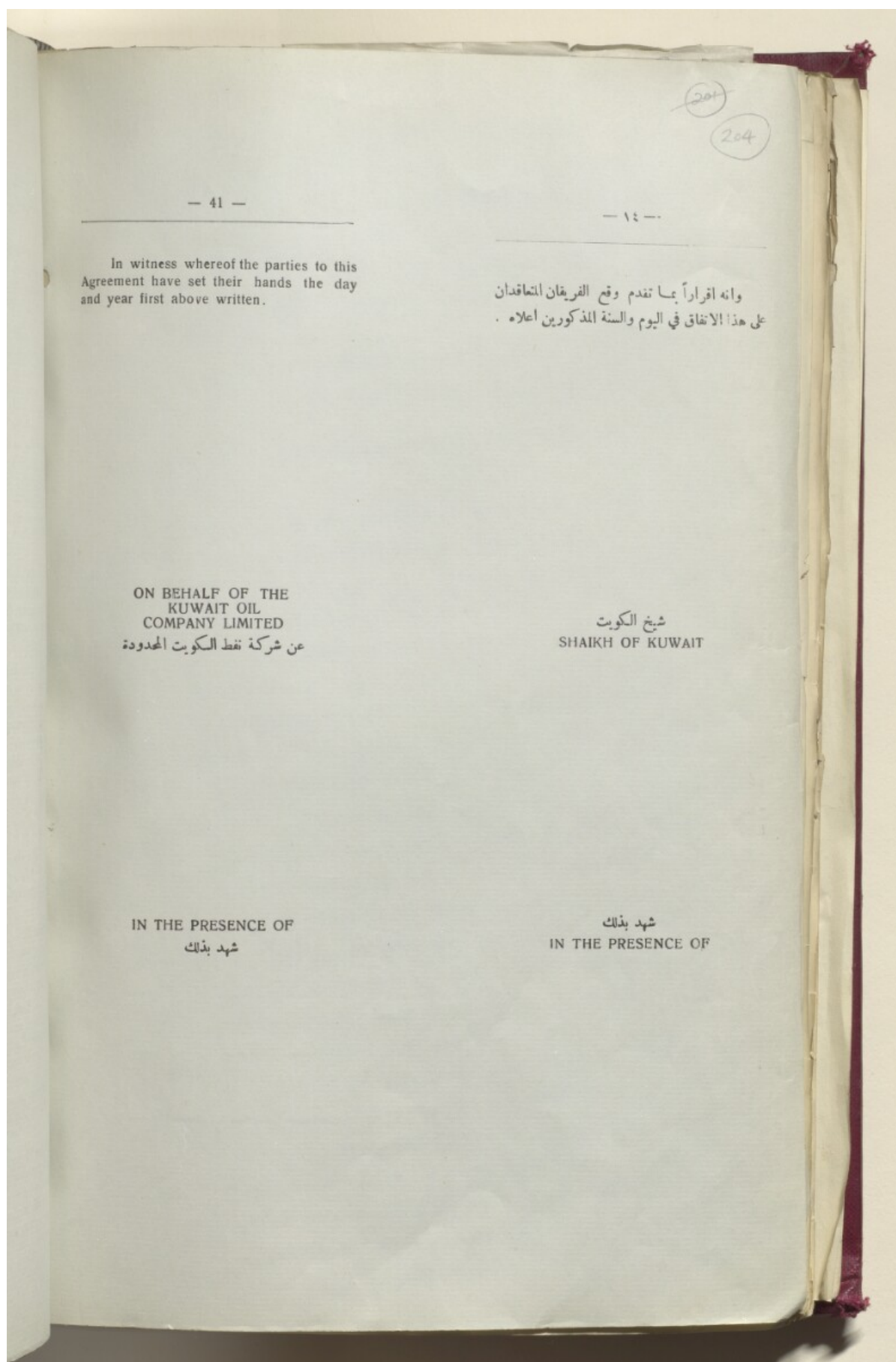
(د) انه اذا صدر قرار فالفصيل الحق في تعيين مدة كافية للتأخير حتى يستطيع في خلالها الفريق الذي صدر القرار ضده أن ينصاع للقرار ولا بعد هذا الفريق خطأ الا اذا قصر هذا الفريق عن القيام بما يتطلبه منه القرار قبل نهاية المدة المحددة لذلك ليس الا .

(هـ) يكون محل التحكيم حيث يتفق عليه الفريقان واذا عجزا عن الاتفاق فيكون في لندن .

المادة التاسعة عشر — يجب أن تدفع الشركة جميع الدفعات التي تستحق عليها للشيخ بموجب هذه الاتفاقية لحساب الشيخ في بنك الكائن في — ويكون الوصل المأخوذ من البنك ابراء تاماً للشركة عن تلك المدفوعات وللشيخ أن يختار من حين لآخر بنكاً أو بنوك أخرى للغاية المبينة في هذه المادة

المادة العشرون — ان هذه الاتفاقية قد كتبت بالانكليزية وهي مترجمة الى العربية فاذا حصل أي خلاف على معنى أو تفسير لاية مادة في هذه الاتفاقية يسل بالنص الانكليزي .





— 41 —

In witness whereof the parties to this Agreement have set their hands the day and year first above written.

ON BEHALF OF THE
KUWAIT OIL
COMPANY LIMITED
عن شركة نفط الكويت المحدودة

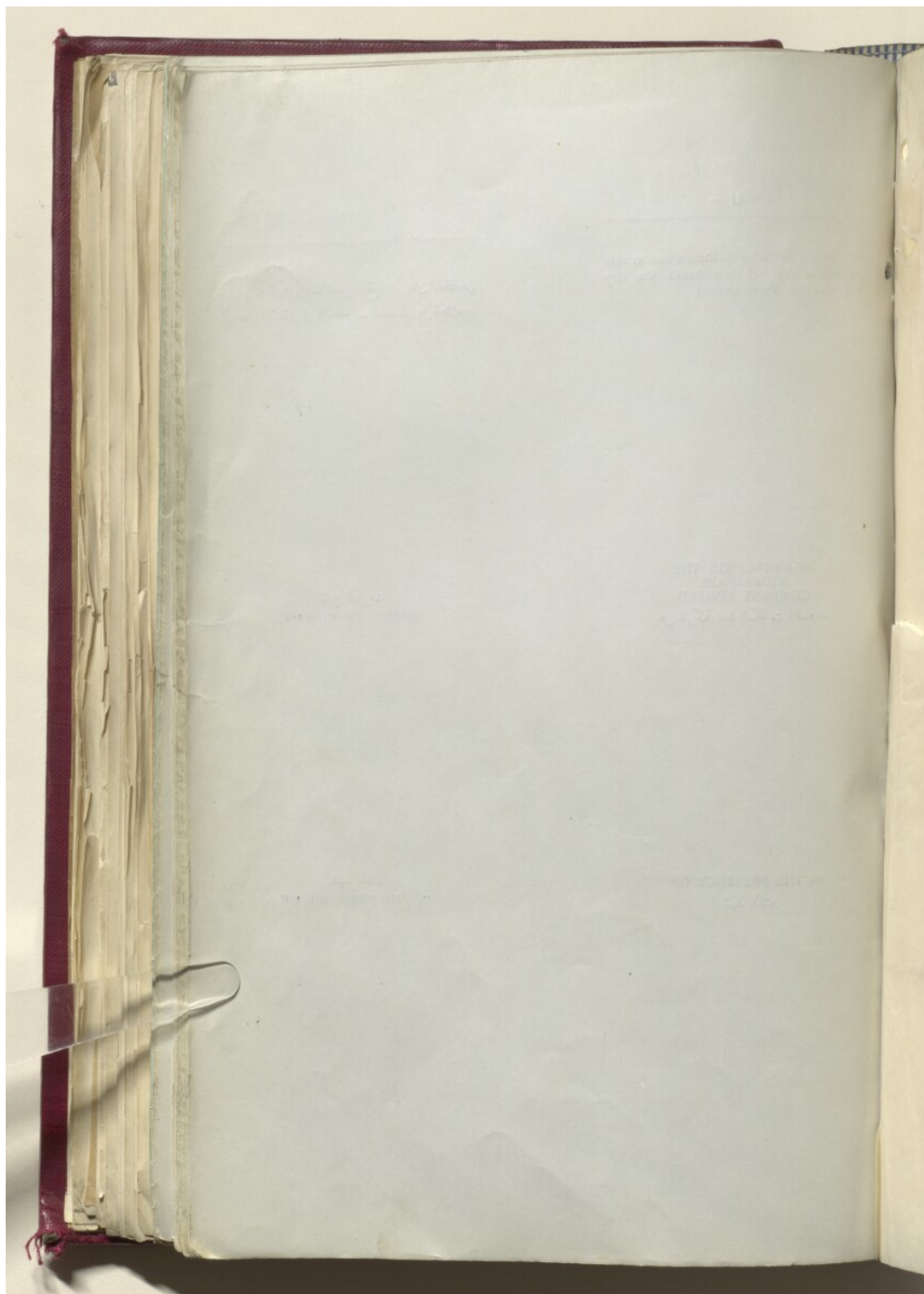
IN THE PRESENCE OF
شهد بذلك

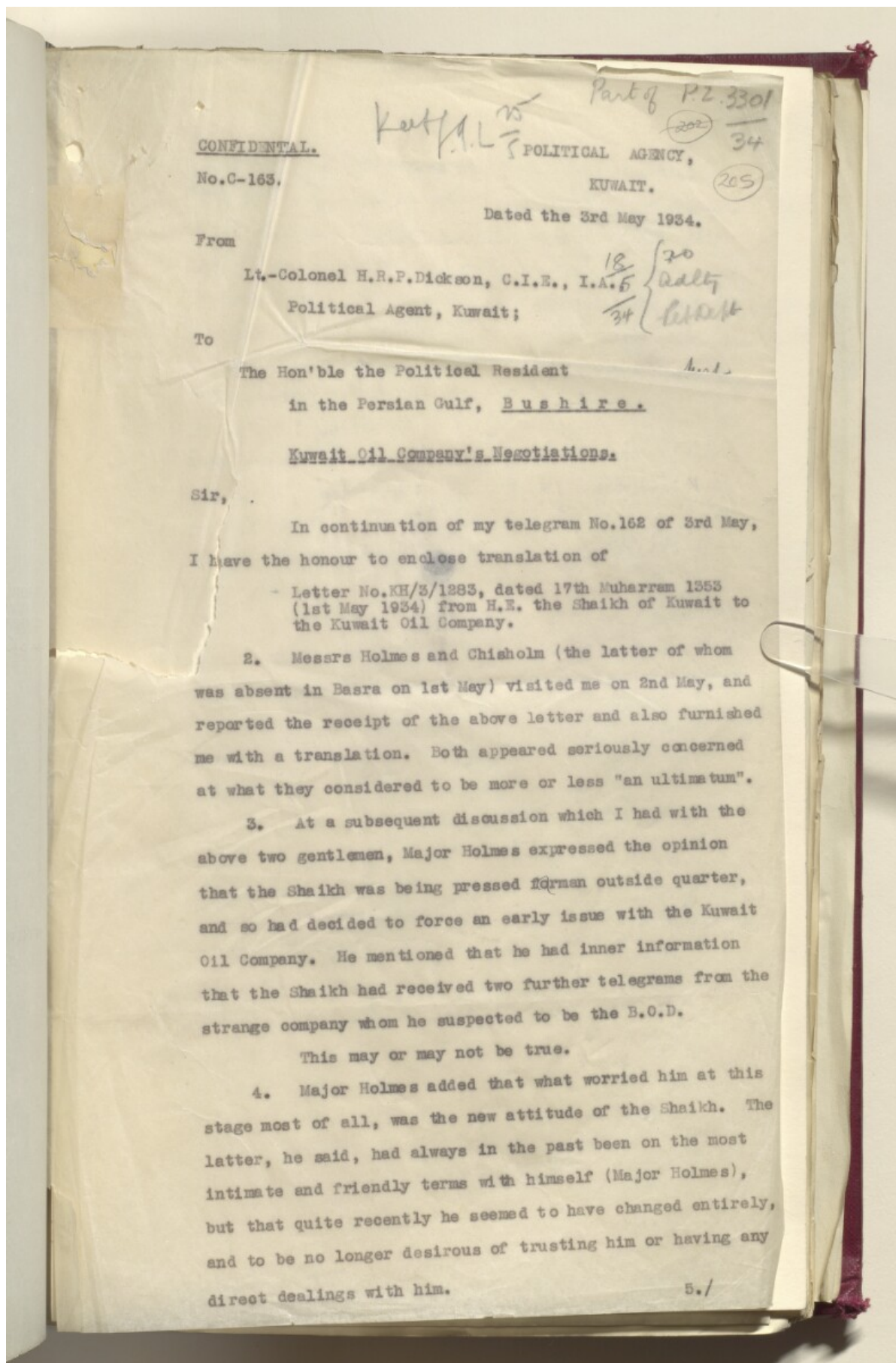
— ١٢ —

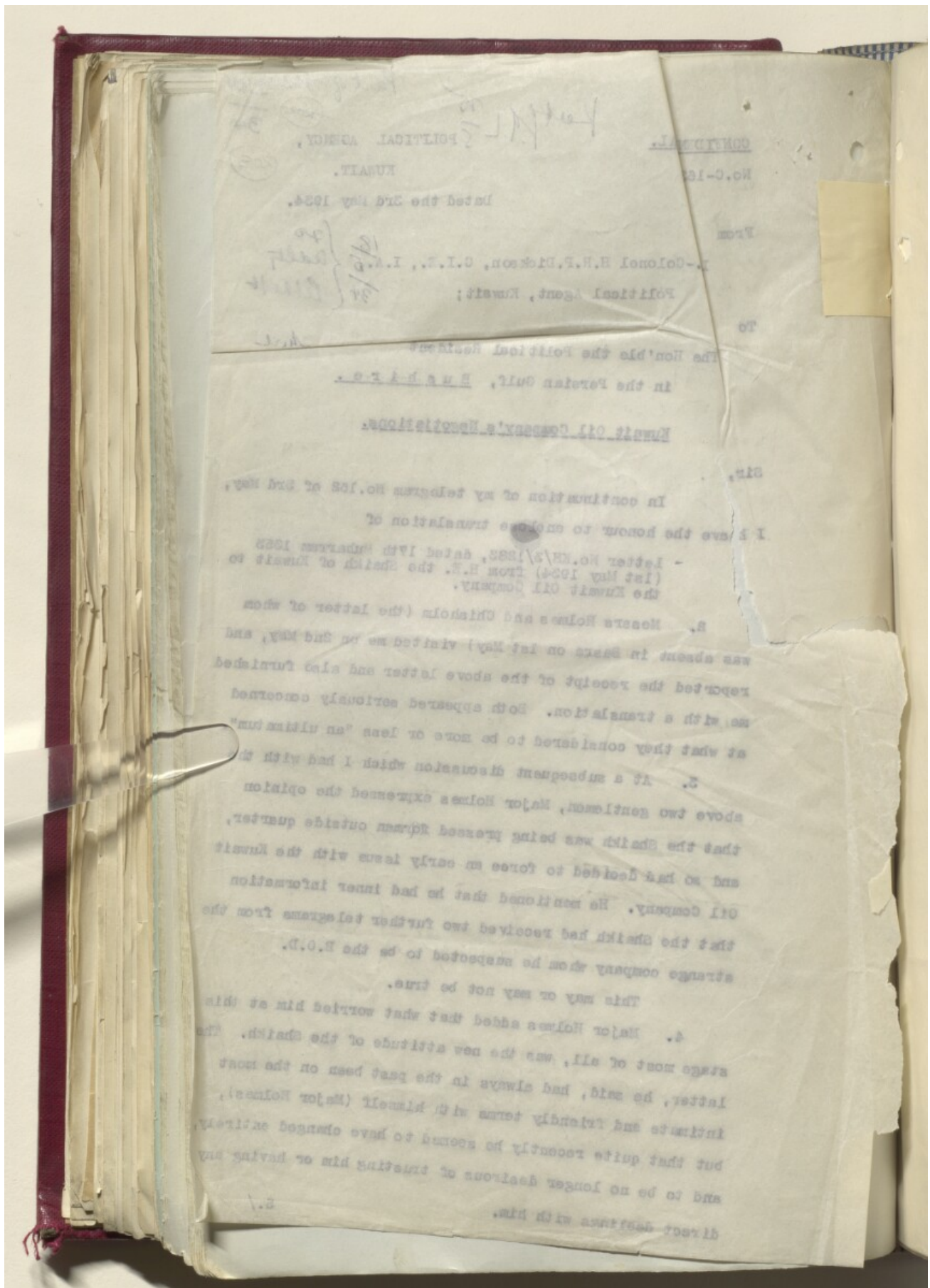
وانه اقراراً بما تقدم وقع الفريقان المتعاقدان
على هذا الاتفاق في اليوم والسنة المذكورين اعلاه .

شيخ الكويت
SHAIKH OF KUWAIT

شهد بذلك
IN THE PRESENCE OF









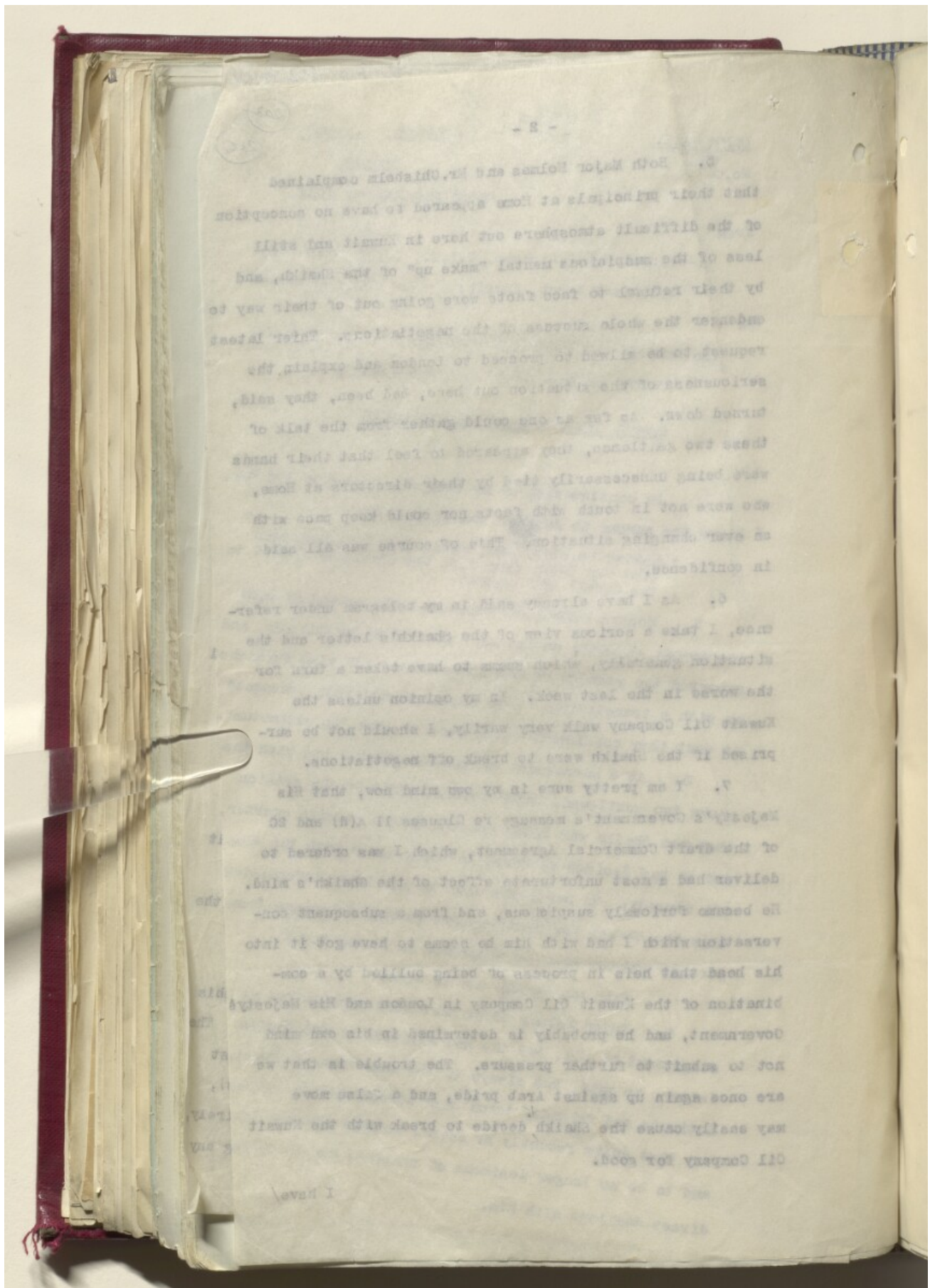
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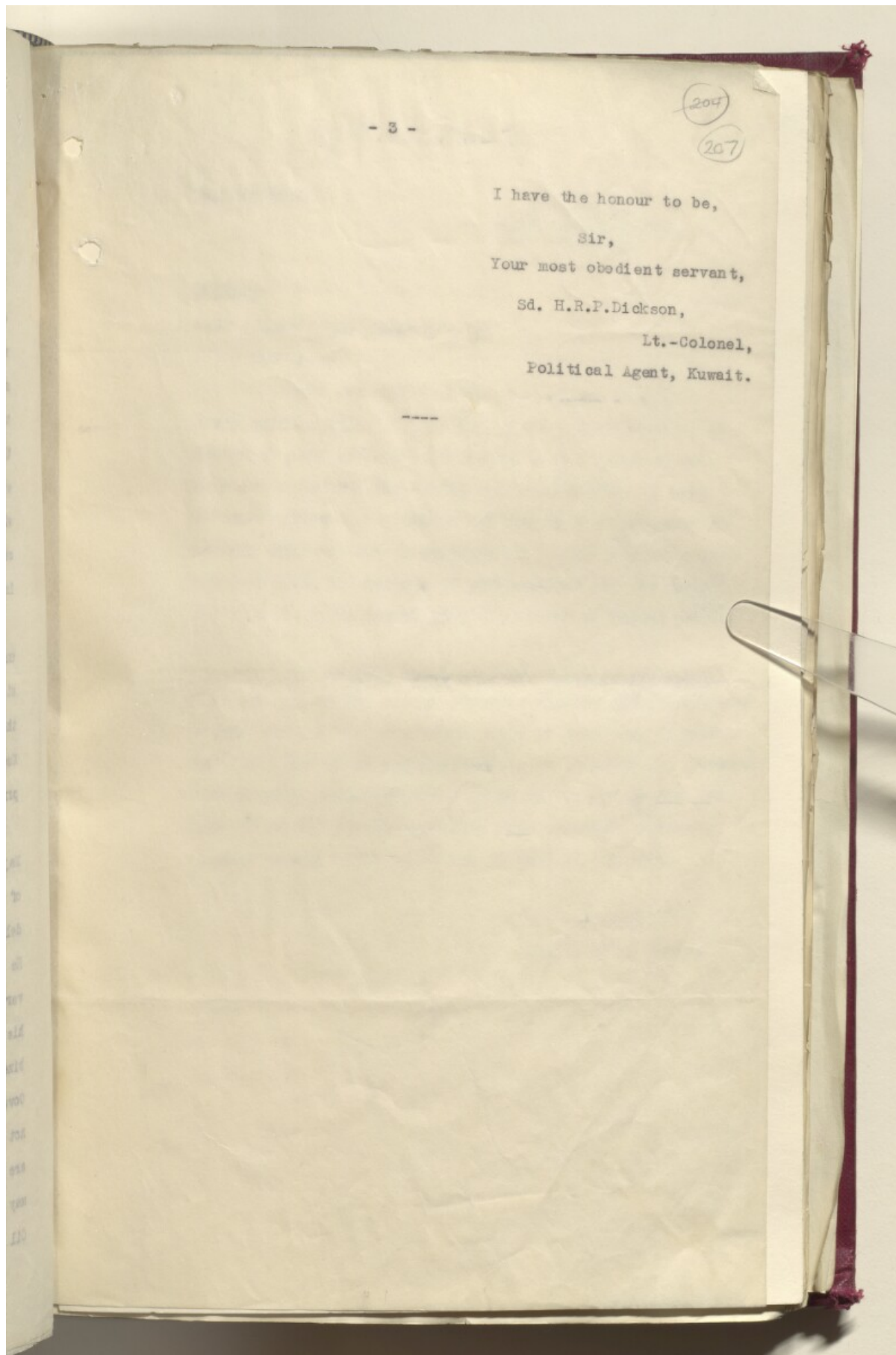
203
206
5. Both Major Holmes and Mr. Chisholm complained that their principals at Home appeared to have no conception of the difficult atmosphere out here in Kuwait and still less of the suspicious mental "make up" of the Shaikh, and by their refusal to face facts were going out of their way to endanger the whole success of the negotiations. Their latest request to be allowed to proceed to London and explain the seriousness of the situation out here, had been, they said, turned down. As far as one could gather from the talk of these two gentlemen, they appeared to feel that their hands were being unnecessarily tied by their directors at Home, who were not in touch with facts nor could keep pace with an ever changing situation. This of course was all said in confidence.

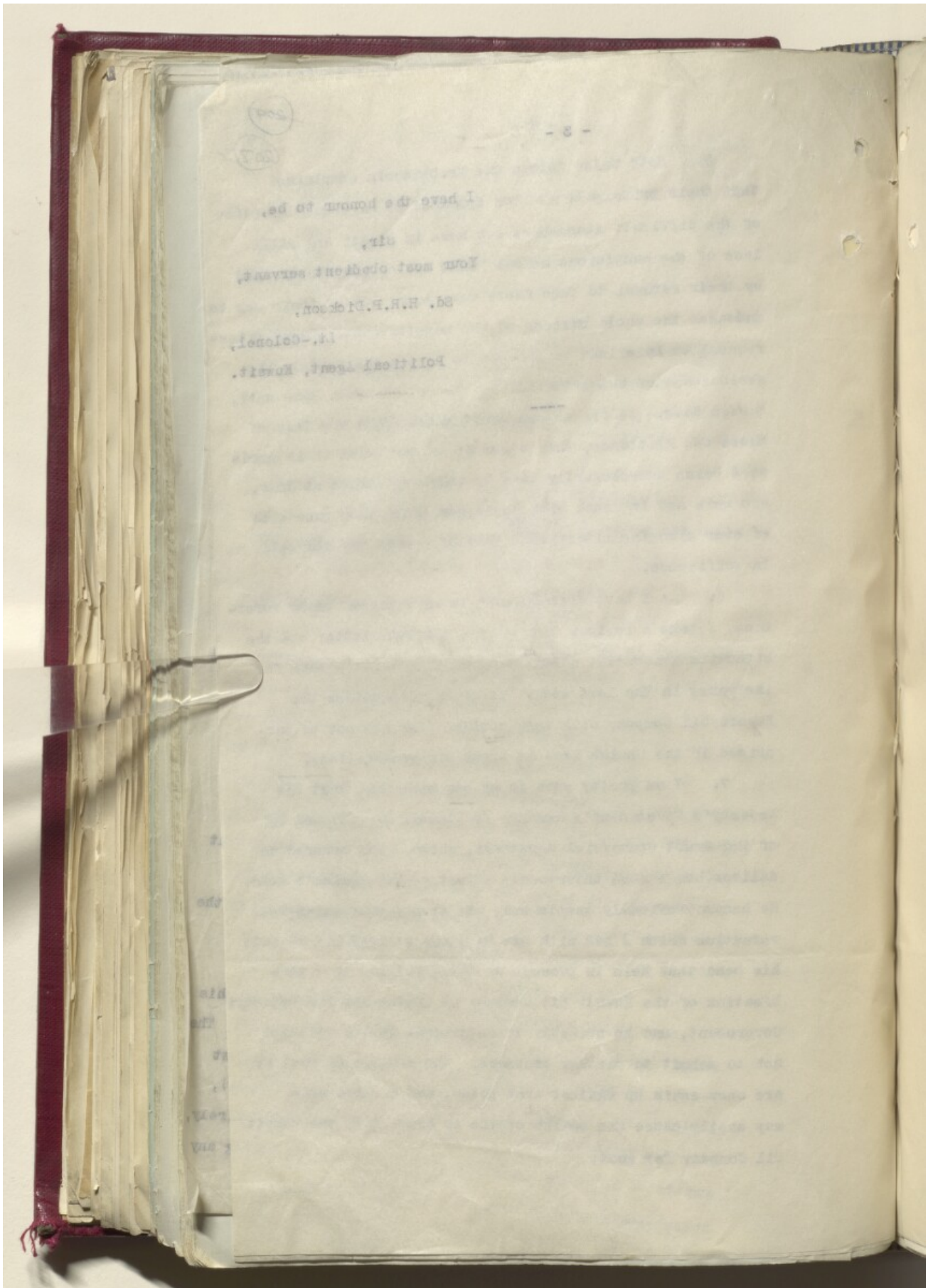
6. As I have already said in my telegram under reference, I take a serious view of the Shaikh's letter and the situation generally, which seems to have taken a turn for the worse in the last week. In my opinion unless the Kuwait Oil Company walk very warily, I should not be surprised if the Shaikh were to break off negotiations.

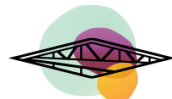
7. I am pretty sure in my own mind now, that His Majesty's Government's message re Clauses 11 A(d) and 20 of the draft Commercial Agreement, which I was ordered to deliver had a most unfortunate effect on the Shaikh's mind. He became furiously suspicious, and from a subsequent conversation which I had with him he seems to have got it into his head that he is in process of being bullied by a combination of the Kuwait Oil Company in London and His Majesty's Government, and he probably is determined in his own mind not to submit to further pressure. The trouble is that we are once again up against Arab pride, and a false move may easily cause the Shaikh to decide to break with the Kuwait Oil Company for good.

I have/









TRANSLATION.

No.KH/3/1283

Kuwait.
17th Mubarram 1353.
1st May 1934.

URGENT.

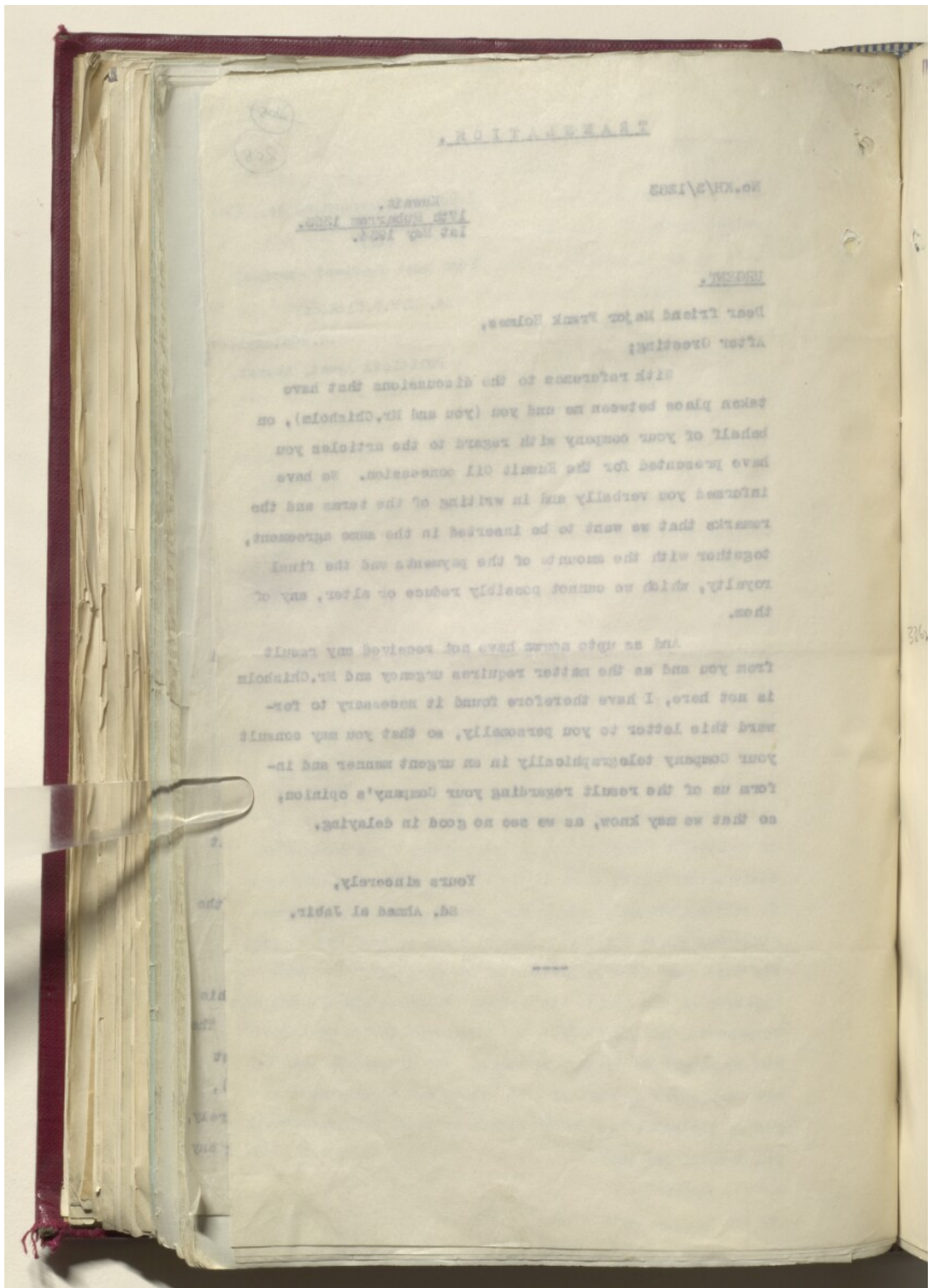
Dear friend Major Frank Holmes,
After Greeting;

With reference to the discussions that have taken place between me and you (you and Mr.Chisholm), on behalf of your company with regard to the articles you have presented for the Kuwait Oil concession. We have informed you verbally and in writing of the terms and the remarks that we want to be inserted in the same agreement, together with the amounts of the payments and the final royalty, which we cannot possibly reduce or alter, any of them.

And as upto now we have not received any result from you and as the matter requires urgency and Mr.Chisholm is not here, I have therefore found it necessary to forward this letter to you personally, so that you may consult your Company telegraphically in an urgent manner and inform us of the result regarding your Company's opinion, so that we may know, as we see no good in delaying.

Yours sincerely,

Sd. Ahmad al Jabir.





INDEXED

JRL/DIA. (23 groups)

FILE COPY SECRET

P. Z. 3412 1934

23 MAY 1934

3091. Pet Dept

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India, repeating telegram addressed to Political Agent, Koweit.

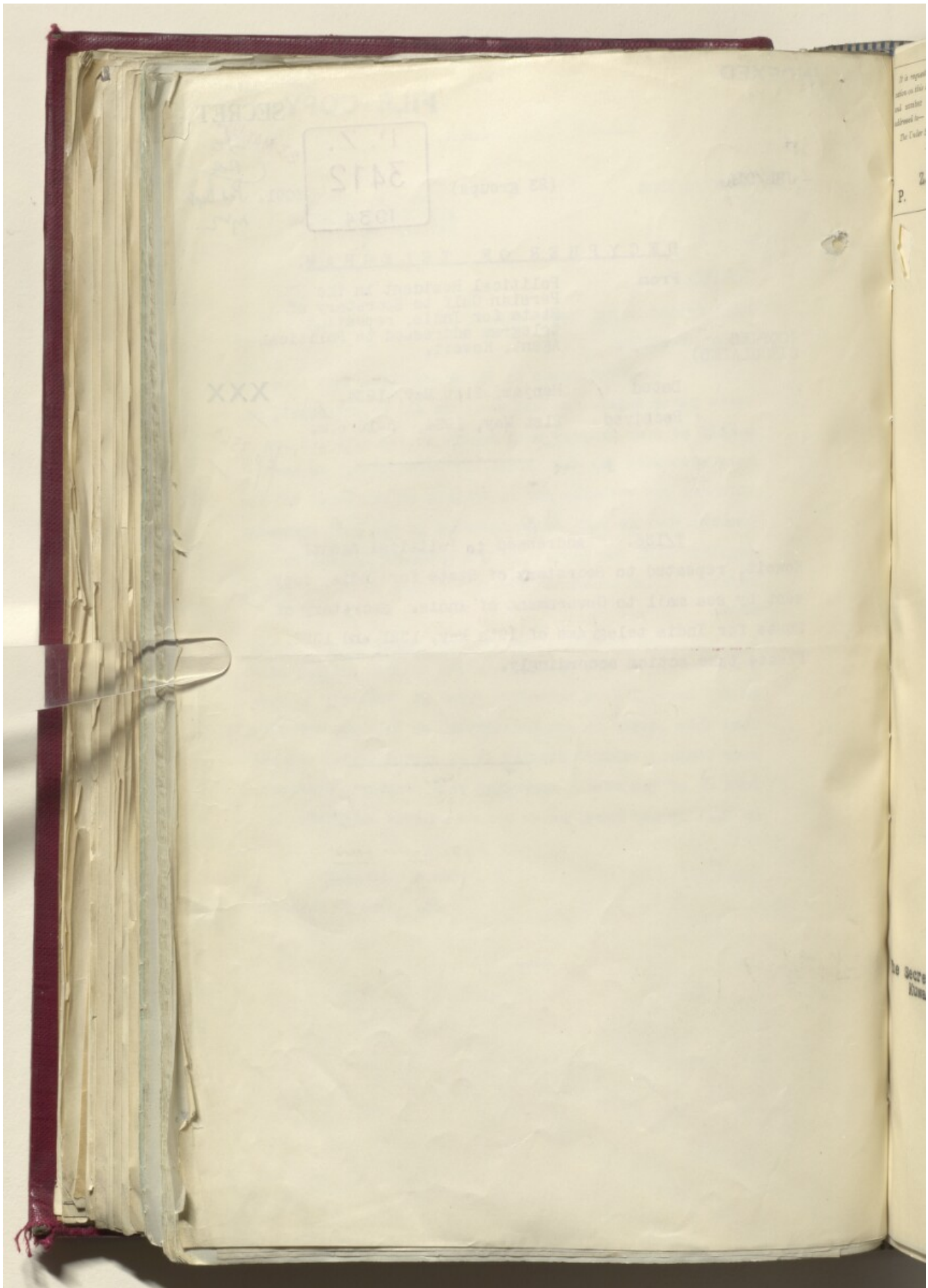
(COPIES CIRCULATED)

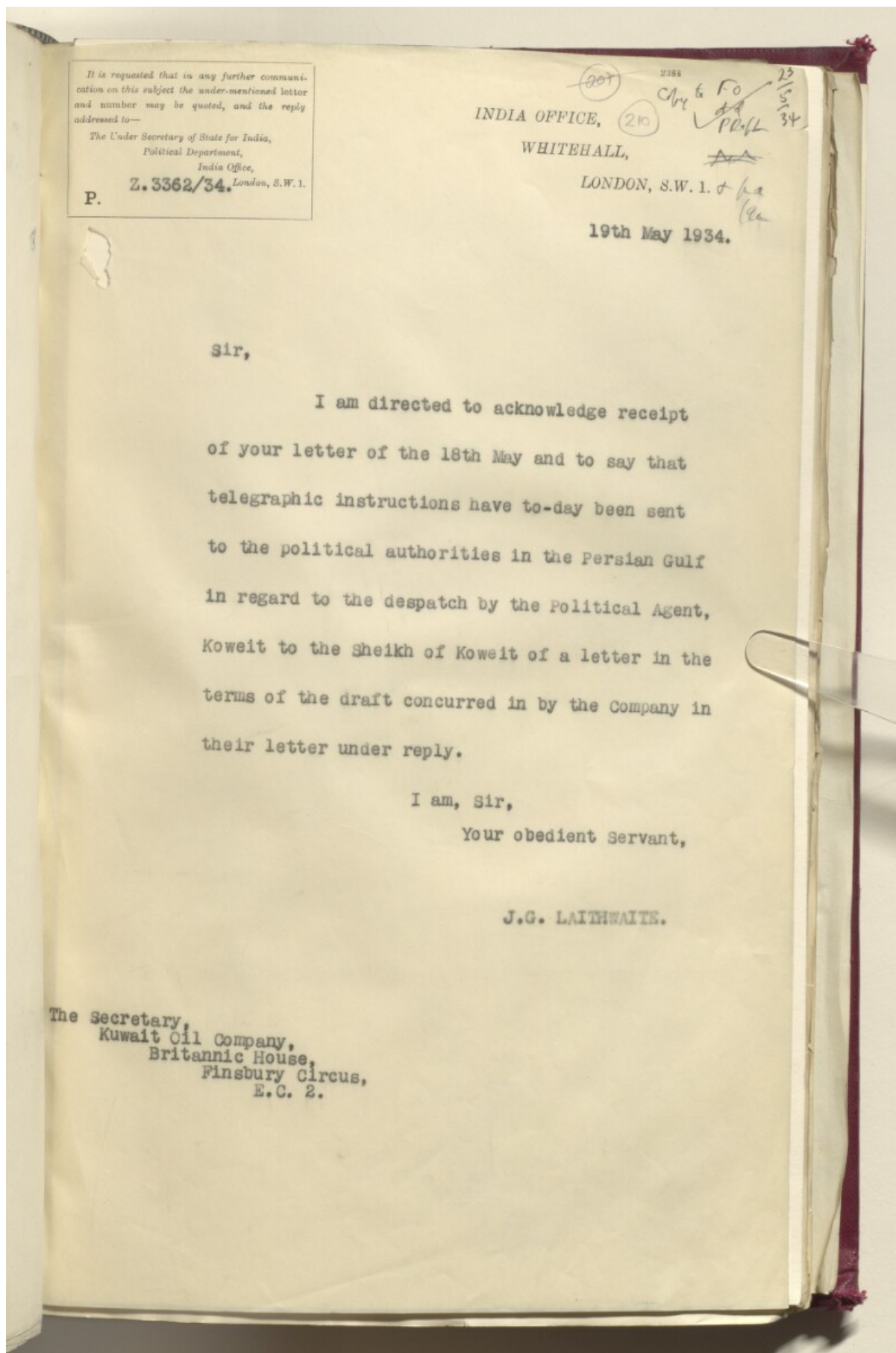
Dated Henjam, 21st May, 1934. XXX

Received 21st May, 1934, 5-15 p.m.

T/136. Addressed to Political Agent, Koweit, repeated to Secretary of State for India, copy sent by sea mail to Government of India. Secretary of State for India telegrams of 19th May, 1321 and 1322. Please take action accordingly.

3862





It is requested that in any further communication on this subject the under-mentioned letter and number may be quoted, and the reply addressed to—

The Under Secretary of State for India,
Political Department,
India Office,
London, S.W. 1.

P.

Z. 3362/34.

INDIA OFFICE,
WHITEHALL,

LONDON, S.W. 1. & ha

19th May 1934.

Sir,

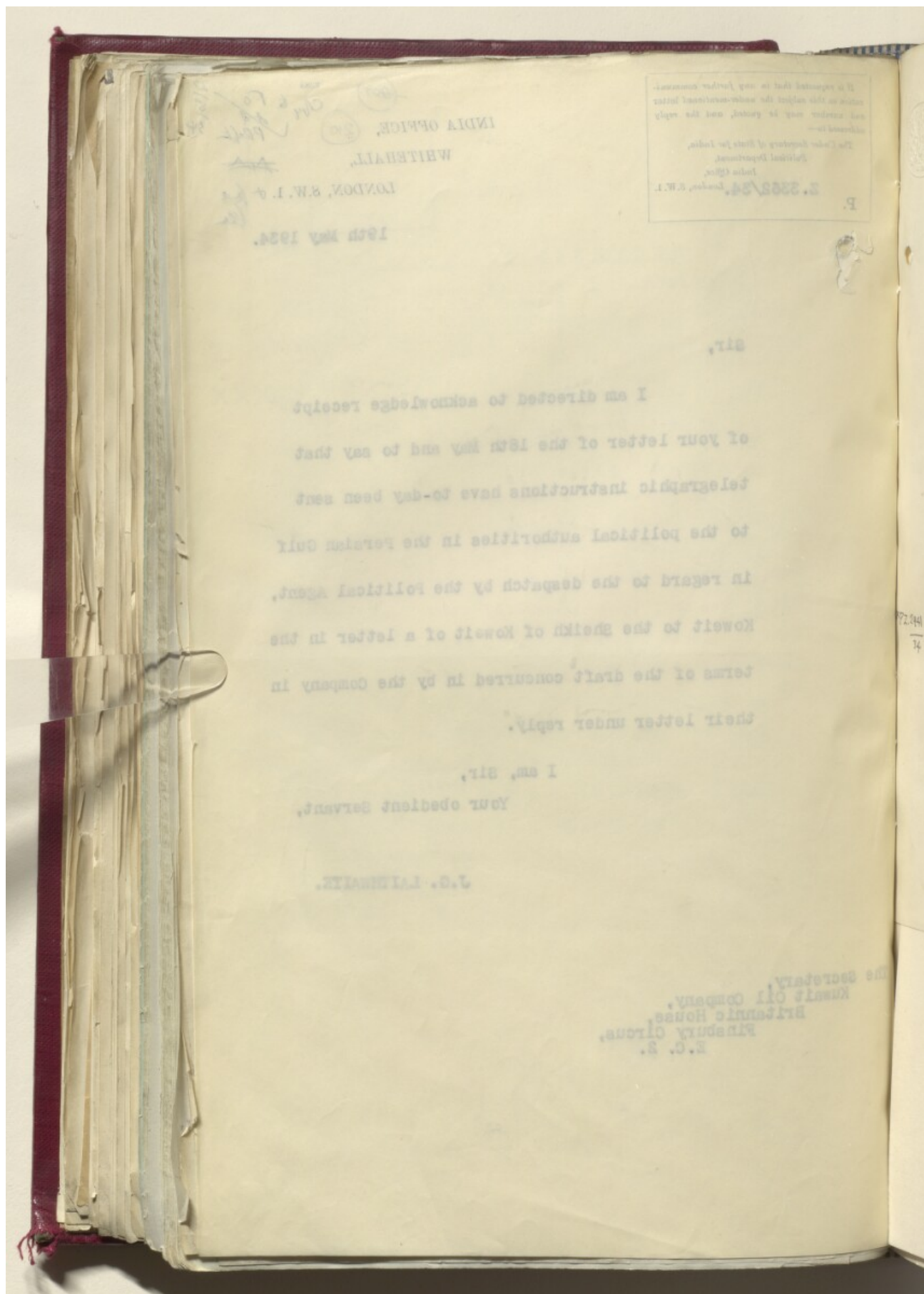
I am directed to acknowledge receipt of your letter of the 18th May and to say that telegraphic instructions have to-day been sent to the political authorities in the Persian Gulf in regard to the despatch by the Political Agent, Koweit to the Sheikh of Koweit of a letter in the terms of the draft concurred in by the Company in their letter under reply.

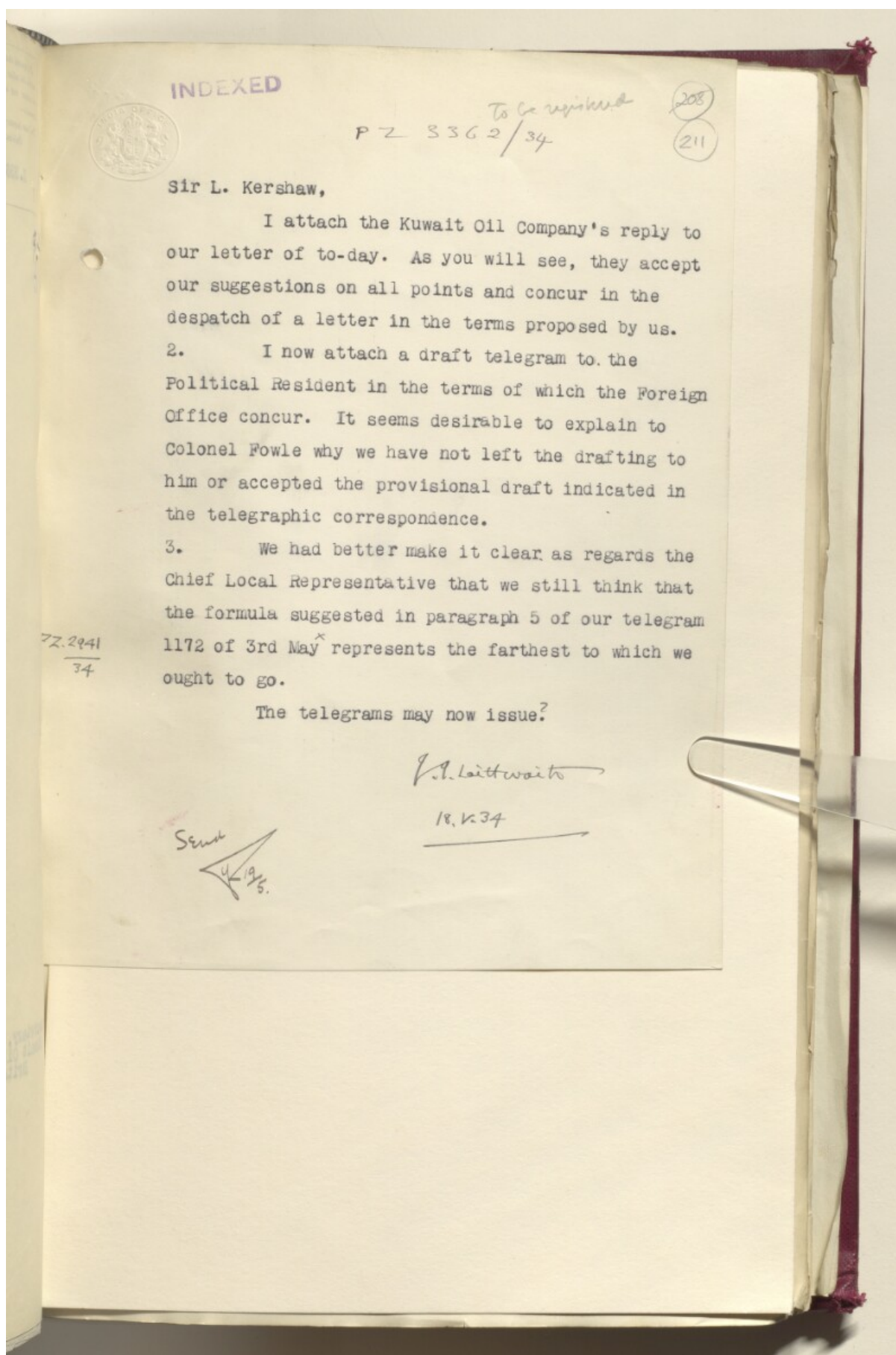
I am, Sir,

Your obedient servant,

J.G. LAITHWAITE.

The Secretary,
Kuwait Oil Company,
Britannic House,
Finsbury Circus,
E.C. 2.





INDEXED



To be registered
PZ 336 2/34

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Sir L. Kershaw,

I attach the Kuwait Oil Company's reply to our letter of to-day. As you will see, they accept our suggestions on all points and concur in the despatch of a letter in the terms proposed by us.

2. I now attach a draft telegram to the Political Resident in the terms of which the Foreign Office concur. It seems desirable to explain to Colonel Fowle why we have not left the drafting to him or accepted the provisional draft indicated in the telegraphic correspondence.

3. We had better make it clear as regards the Chief Local Representative that we still think that the formula suggested in paragraph 5 of our telegram 1172 of 3rd May^x represents the farthest to which we ought to go.

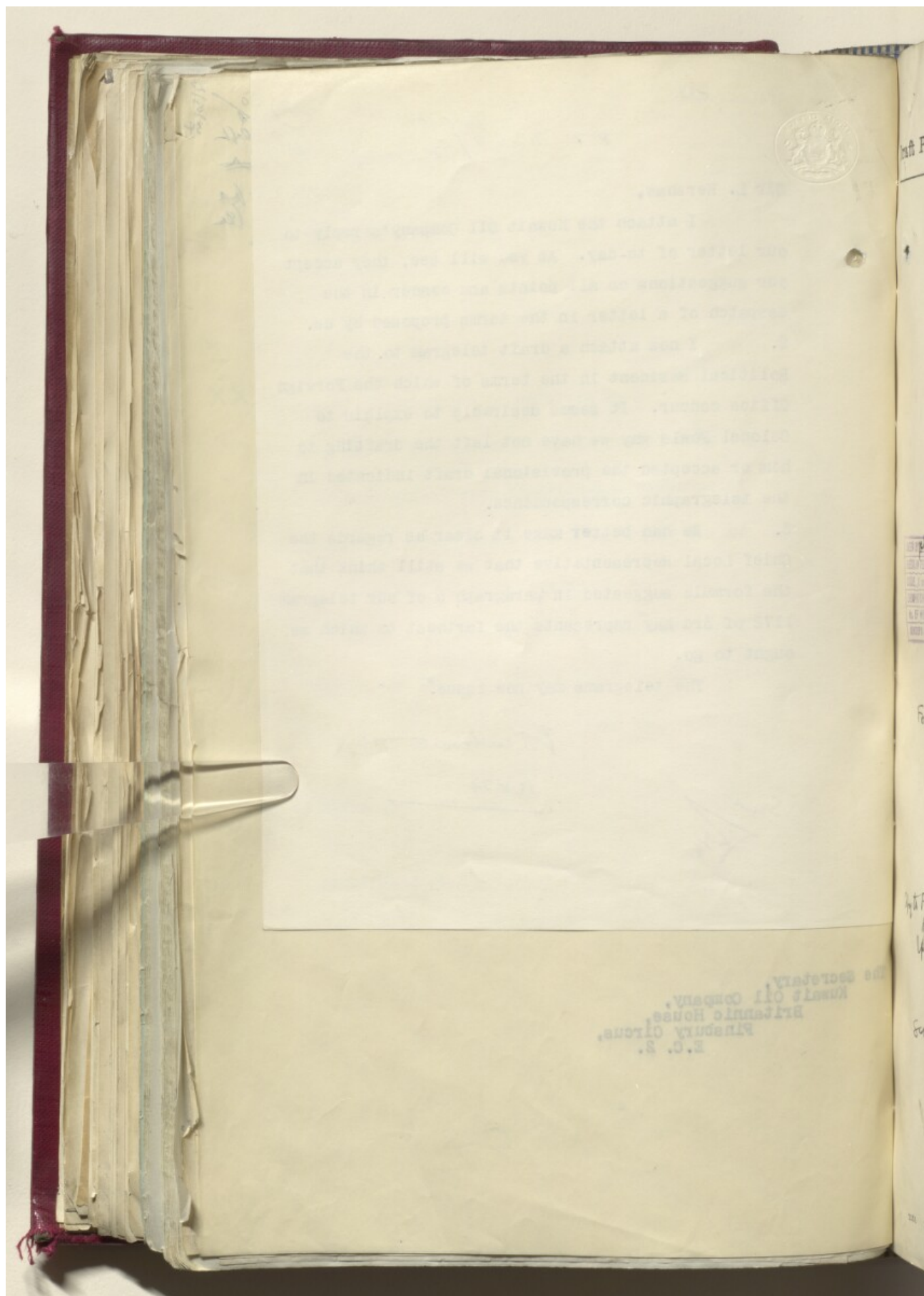
72.2941
34

The telegrams may now issue?

J. A. Laittwaito

18. 12. 34

Send
4/19/5.





15/5/34
6/5/34

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212

Draft Paper. P Z 3362/34 POLITICAL Department.

DRAFT TELEGRAM.

add. From Secretary of State
To ' Political Resident, Bushire. *1321*
Repeated Government of India,
Foreign & Political Department
Political Agent, Koweit. *1321*

Cy/Her xxx

6 *7/5/34* *10/5/34*

SEEN BY <i>ph</i>	DATE	TIME
RECD. IN TEL. BOH.	19/5	10.40 AM
CODE, X or XX	<i>xxx</i>	
DESPATCHED	19/5	12.20 PM
NO. OF WORDS	232 230 232	
SENDER'S INITIALS	<i>R</i>	

Foreign Office comm.
18.5.34.
Part 1 sent xxx
12 noon 19

My to FO
Ad
18/5/34.
23/5/34.
send 19.5.34

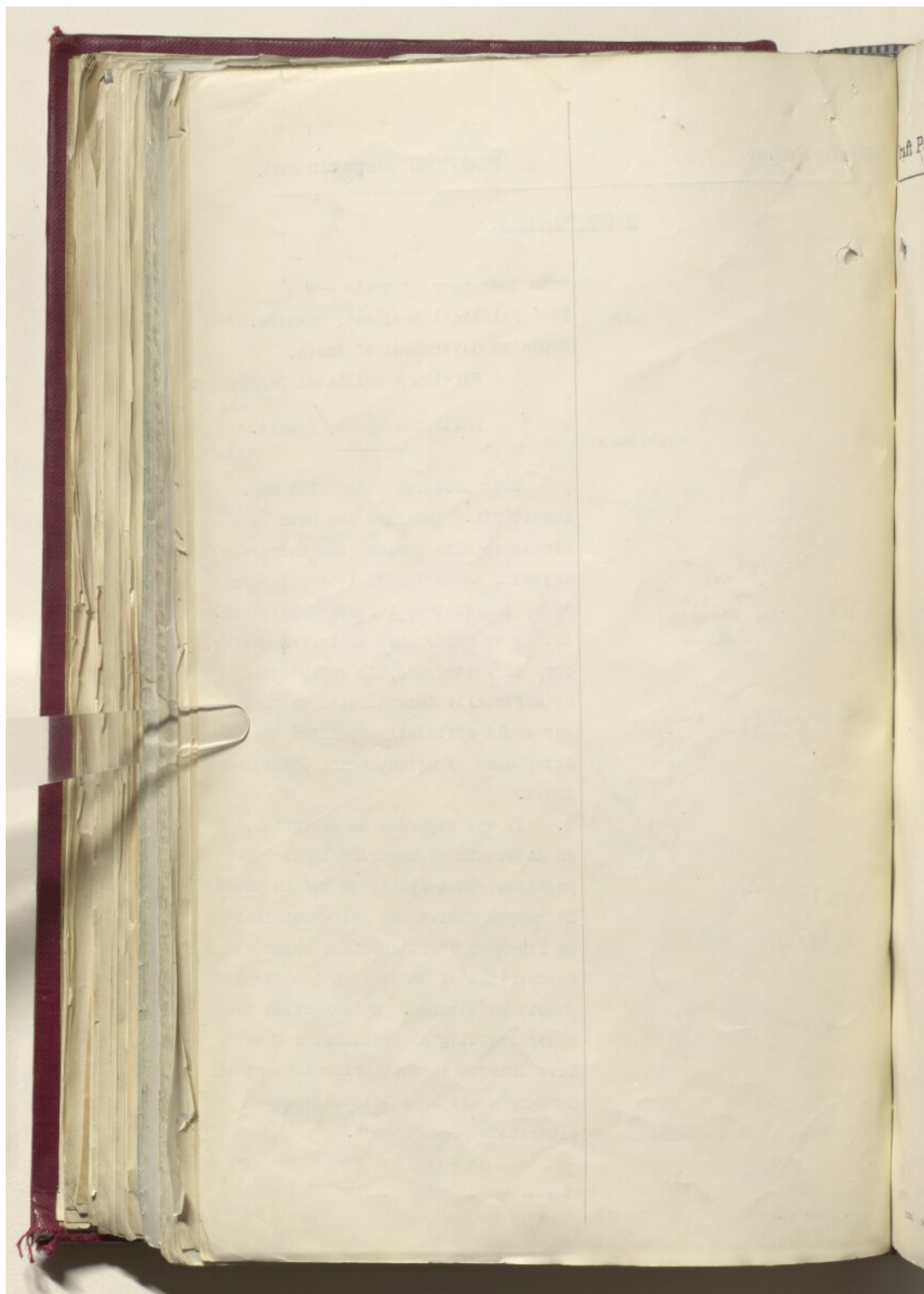
1321 Your telegram dated 11th May.
Koweit Oil. question has been discussed with Company, who *have officially* concurred in despatch to Sheikh of letter in terms of my immediately following telegram. If, as we hope, this *satisfies* Sheikh, copy of letter and his reply would be ~~officially~~ communicated to Company who would officially reaffirm their acceptance of arrangements described in it.

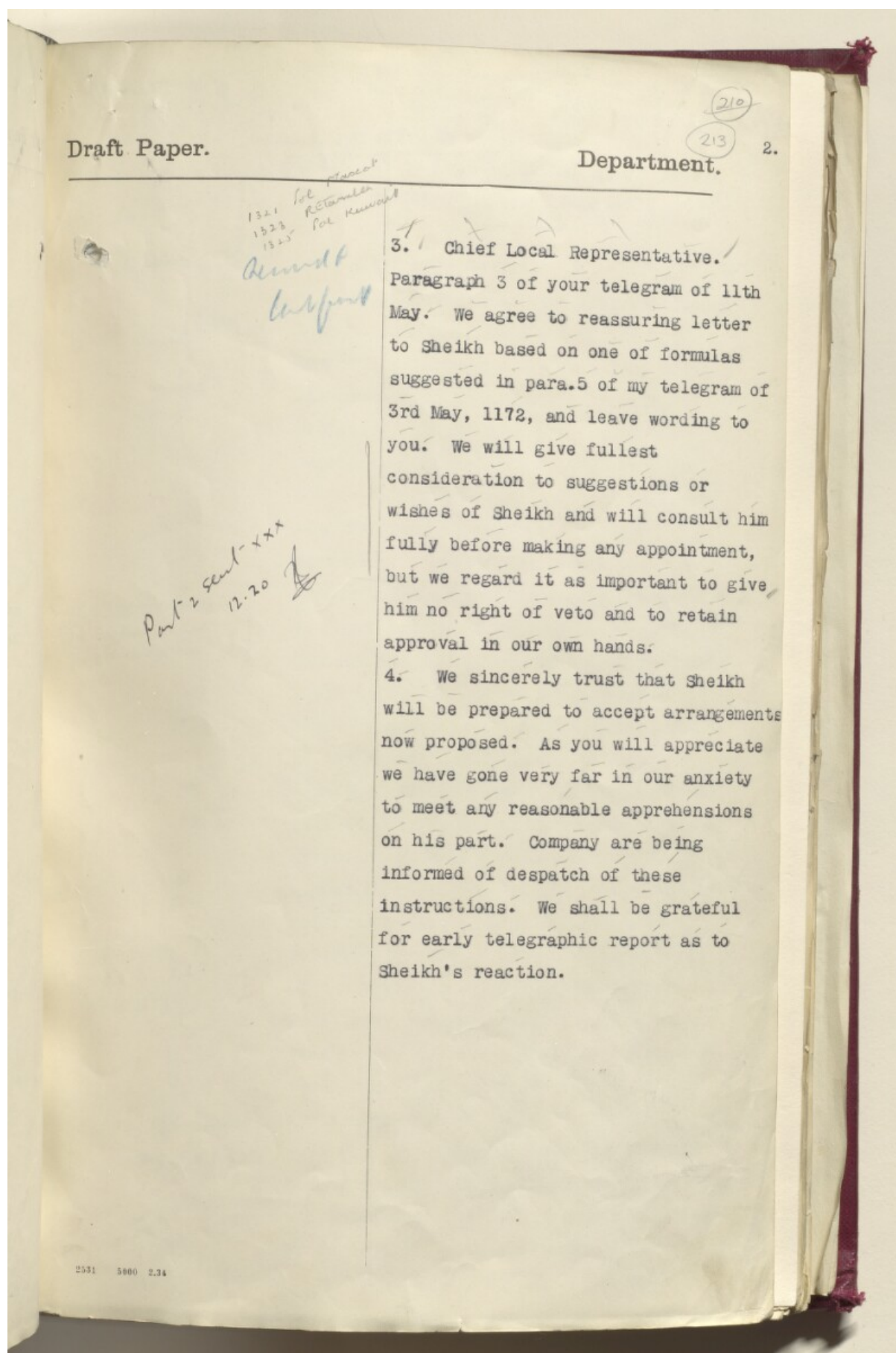
2. It was regarded as essential, in interests of securing legal position, that letter to Sheikh should be comprehensive and self-contained on lines of draft and that prior concurrence of Company in its terms should be secured. No objection to minor drafting alterations, but we have undertaken that prior consent of Company shall be obtained to any alteration of substance.

It is desirable therefore that draft should not be altered unless this cannot be avoided

3/

2531 5000 234





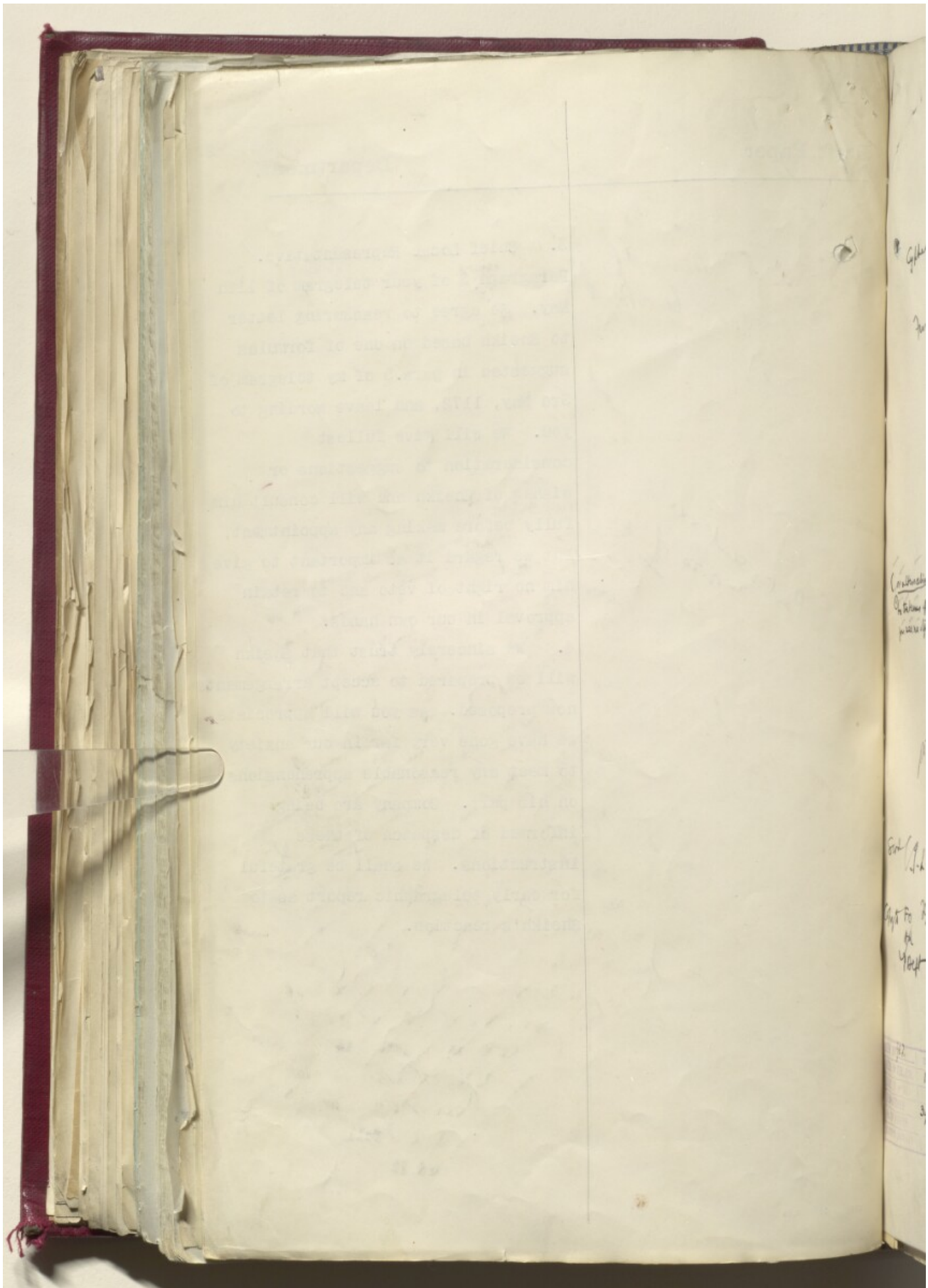
Draft Paper.

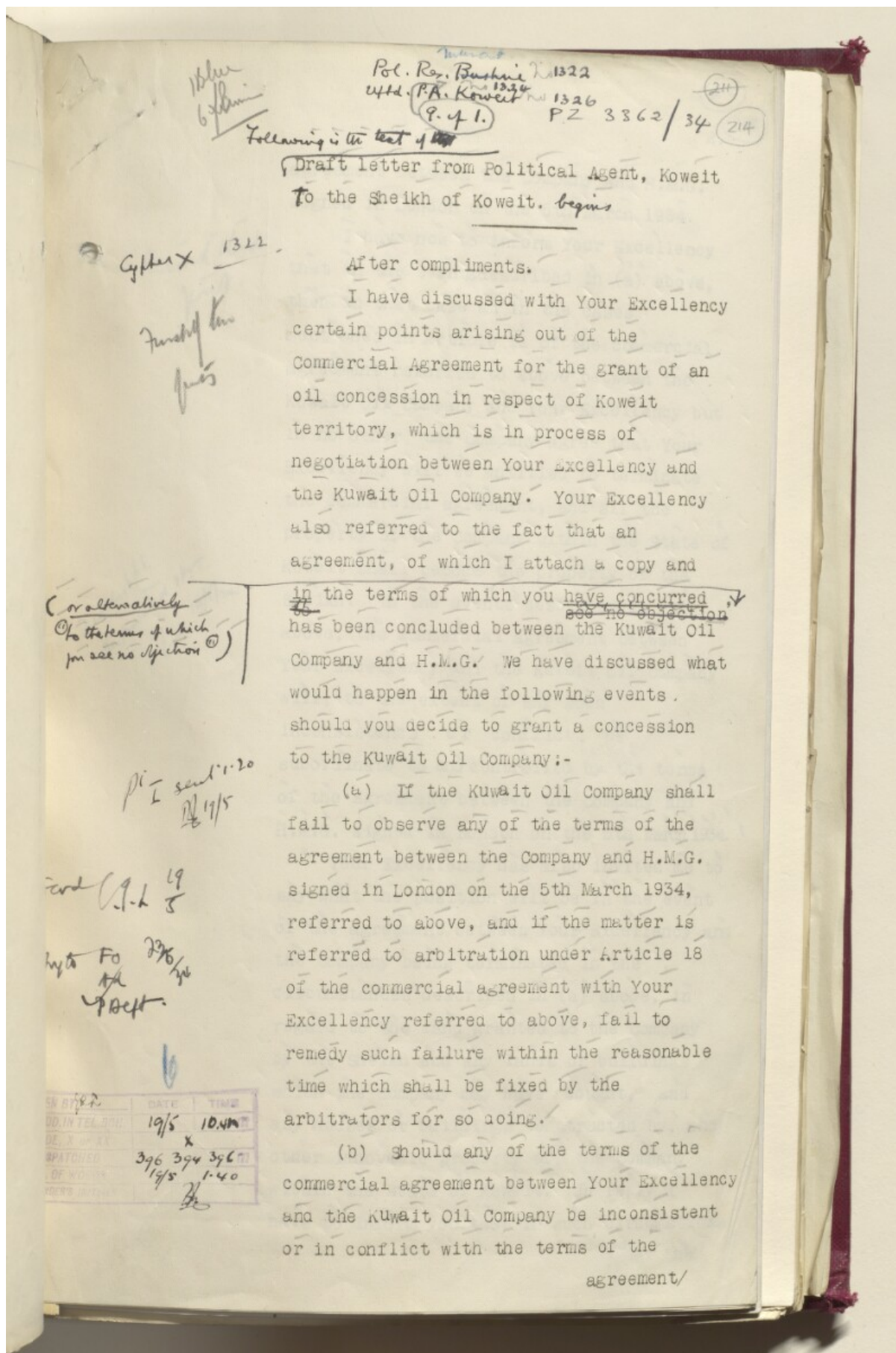
Department. 2.

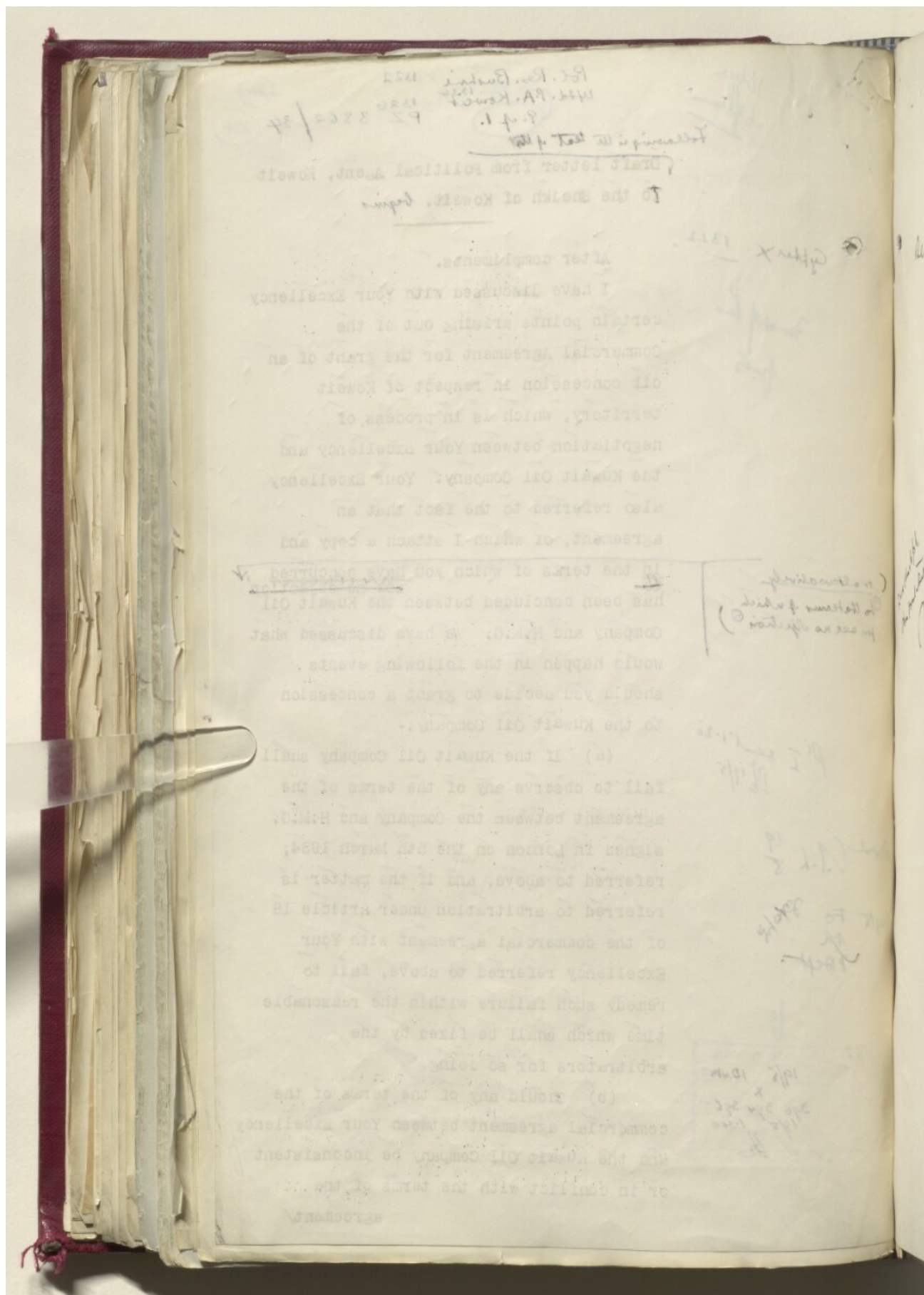
3. Chief Local Representative.

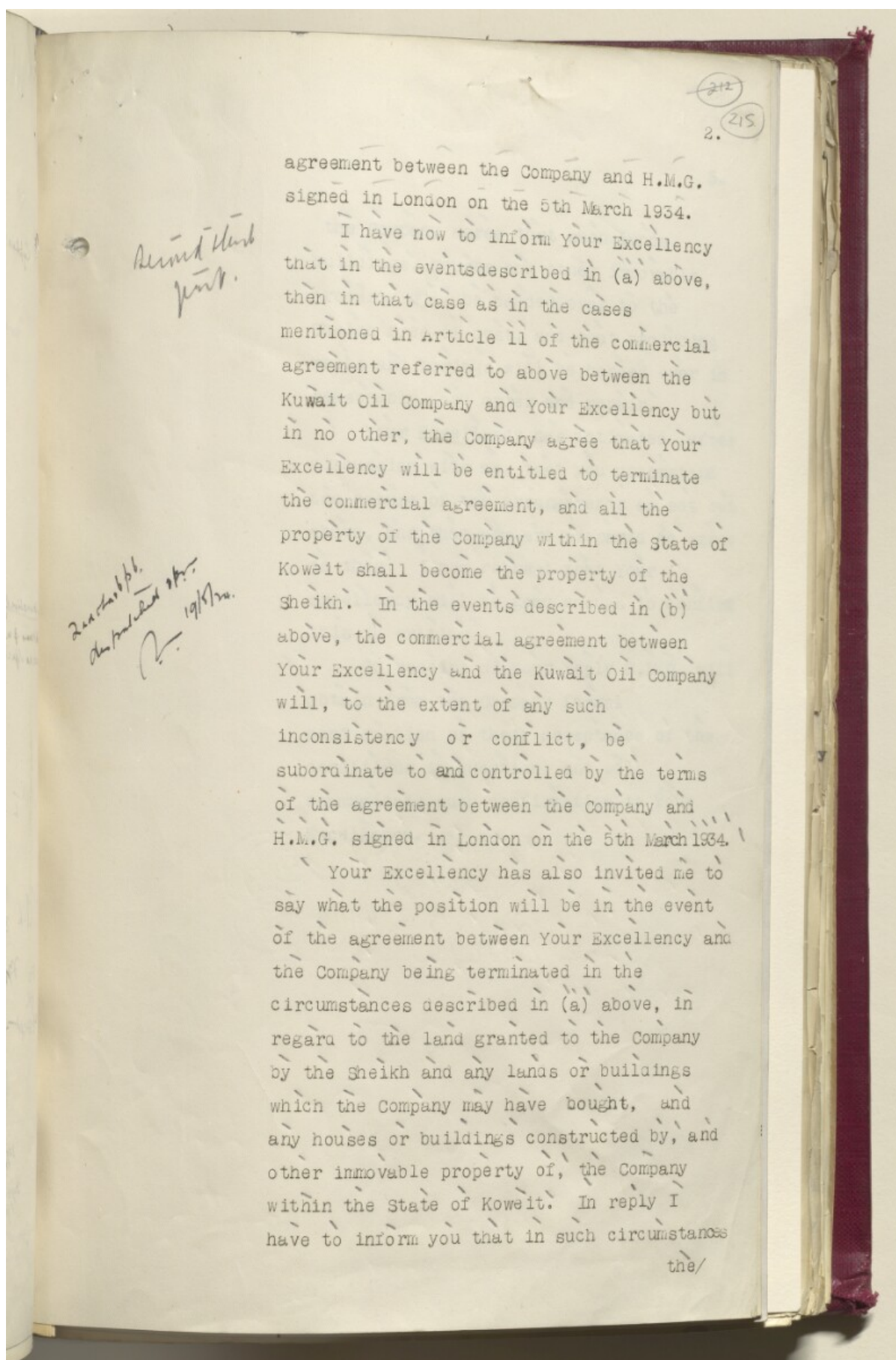
Paragraph 3 of your telegram of 11th May. We agree to reassuring letter to Sheikh based on one of formulas suggested in para.5 of my telegram of 3rd May, 1172, and leave wording to you. We will give fullest consideration to suggestions or wishes of Sheikh and will consult him fully before making any appointment, but we regard it as important to give him no right of veto and to retain approval in our own hands.

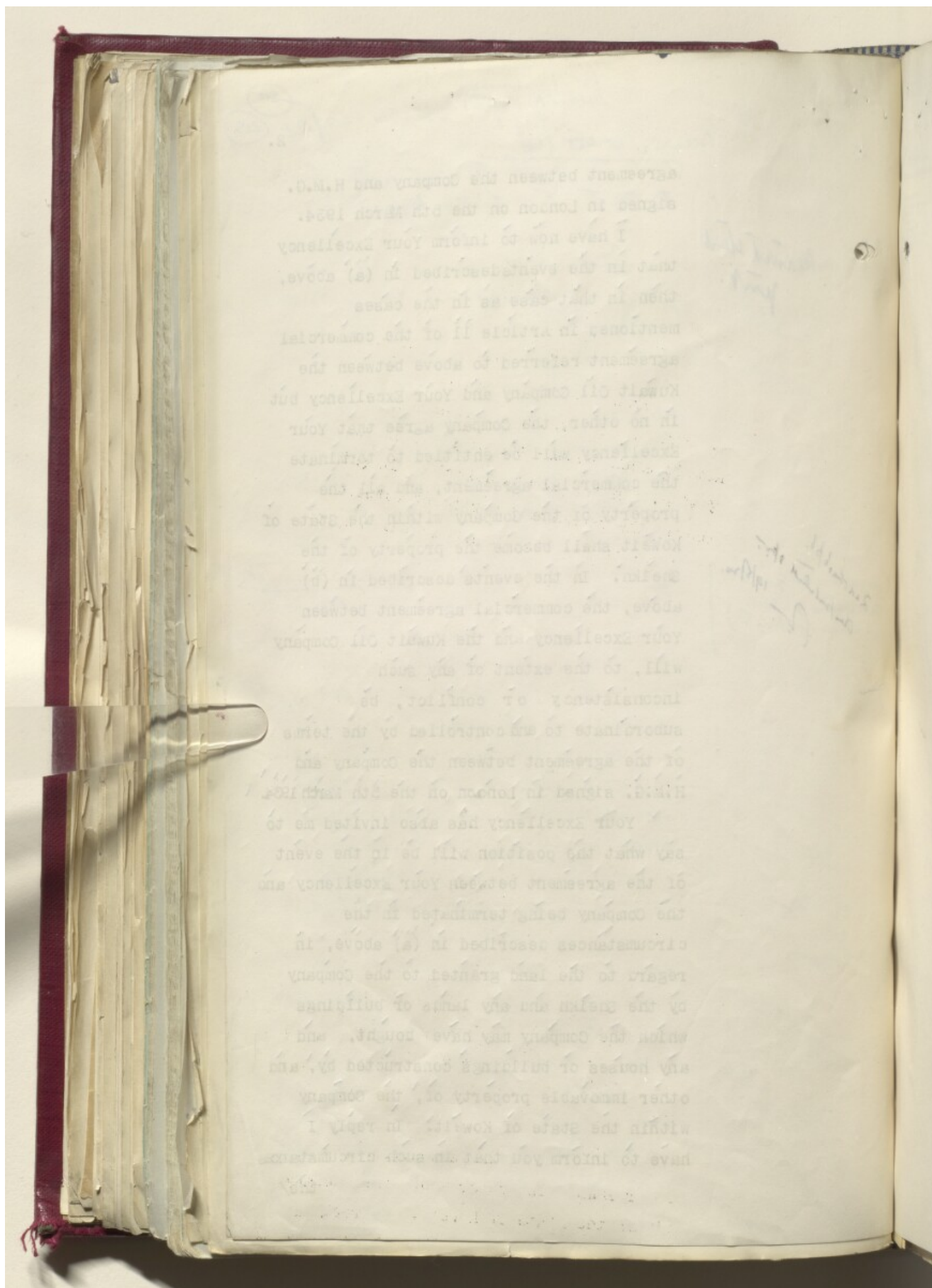
4. We sincerely trust that Sheikh will be prepared to accept arrangements now proposed. As you will appreciate we have gone very far in our anxiety to meet any reasonable apprehensions on his part. Company are being informed of despatch of these instructions. We shall be grateful for early telegraphic report as to Sheikh's reaction.

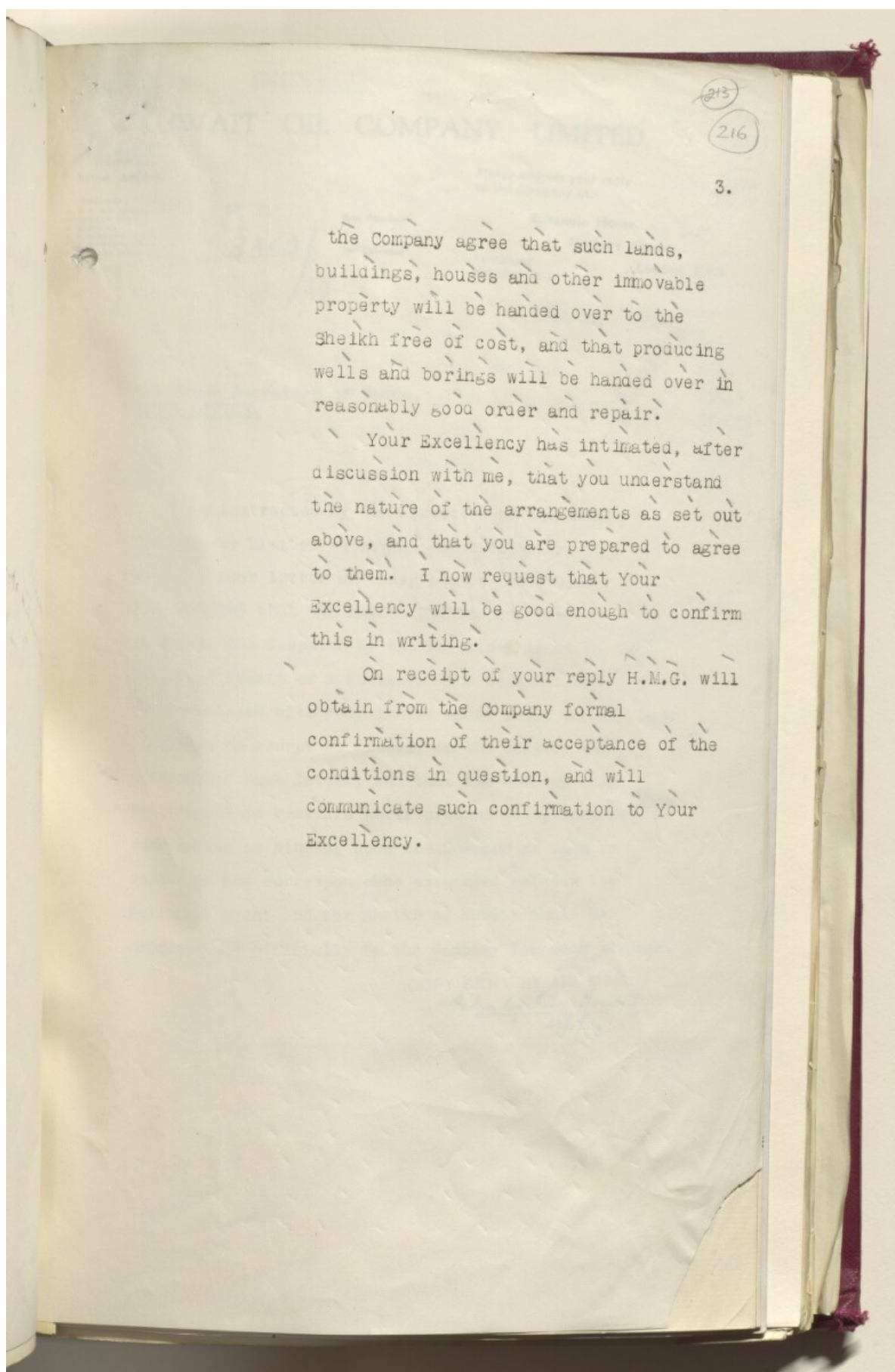


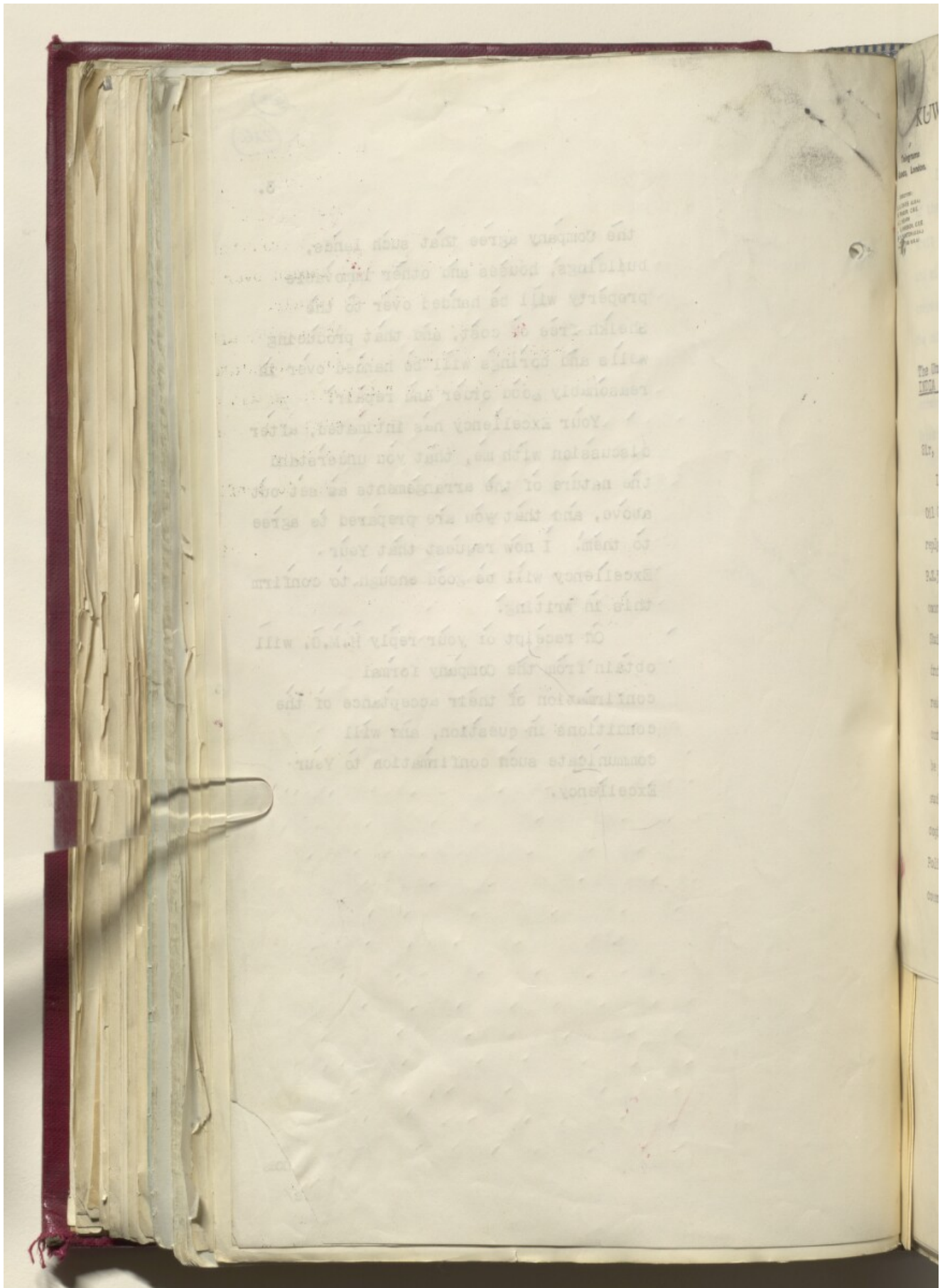


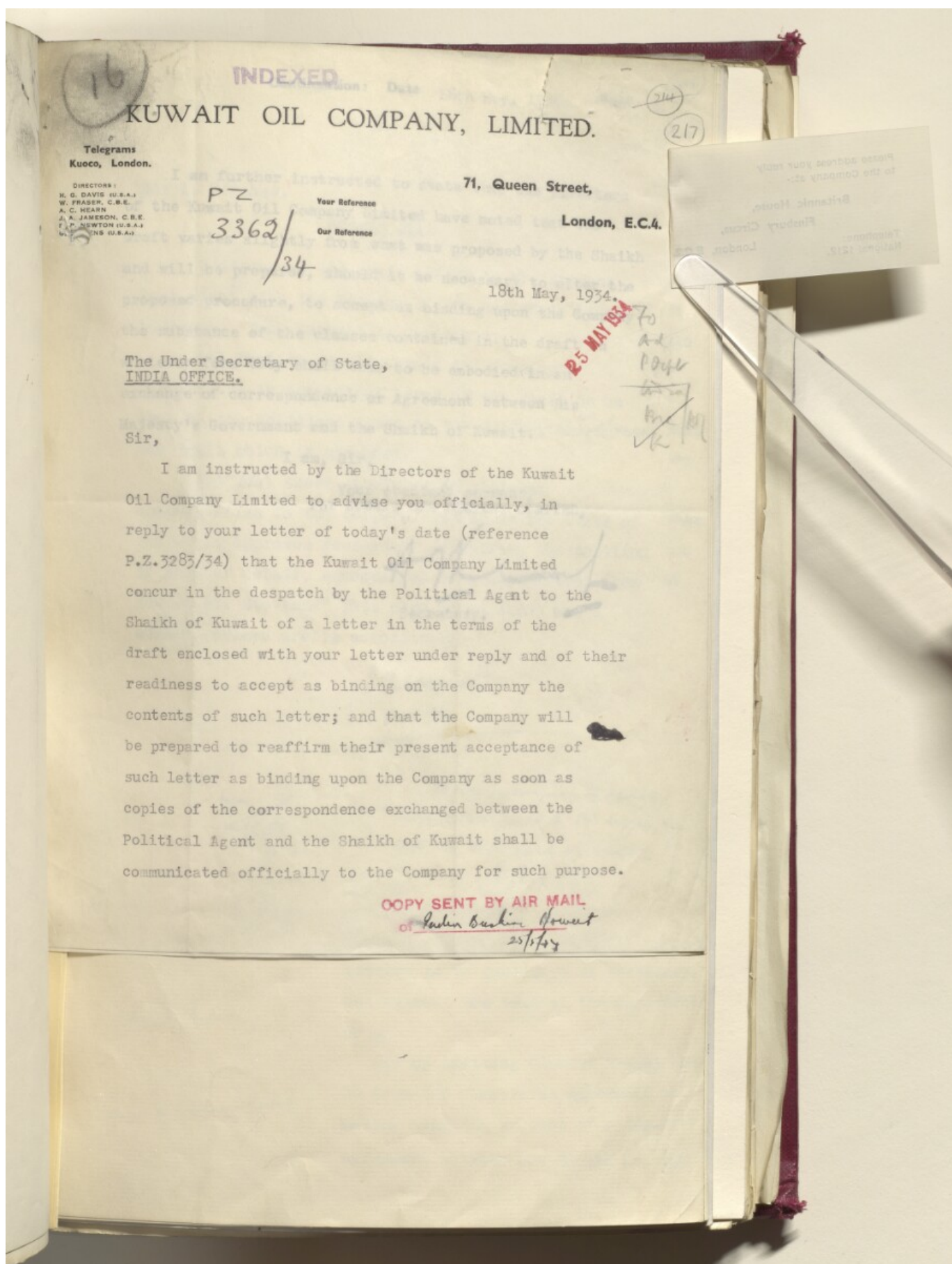


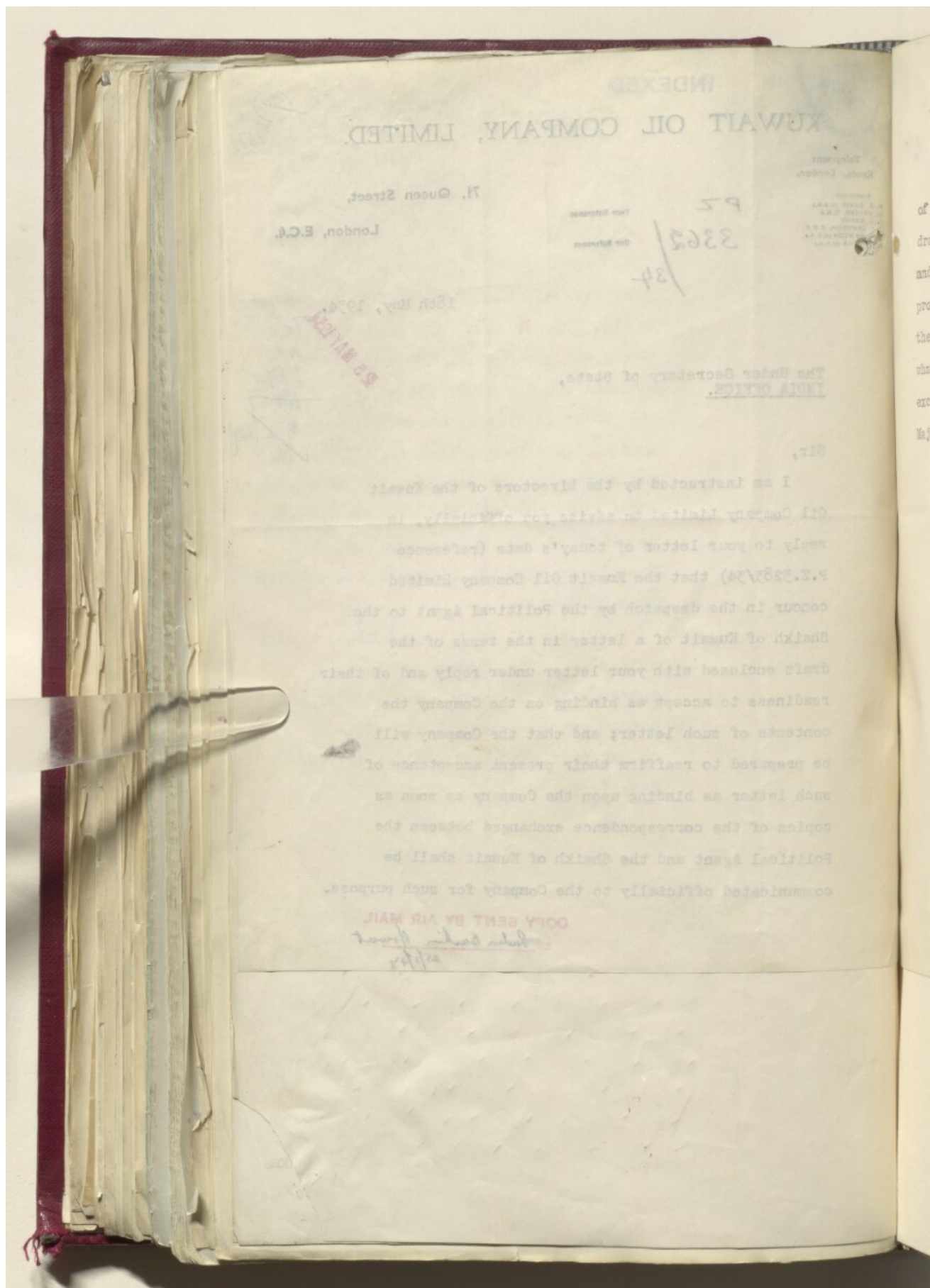














Continuation: Date 18th May, 1954. Page 2.

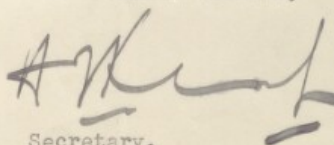
(215)

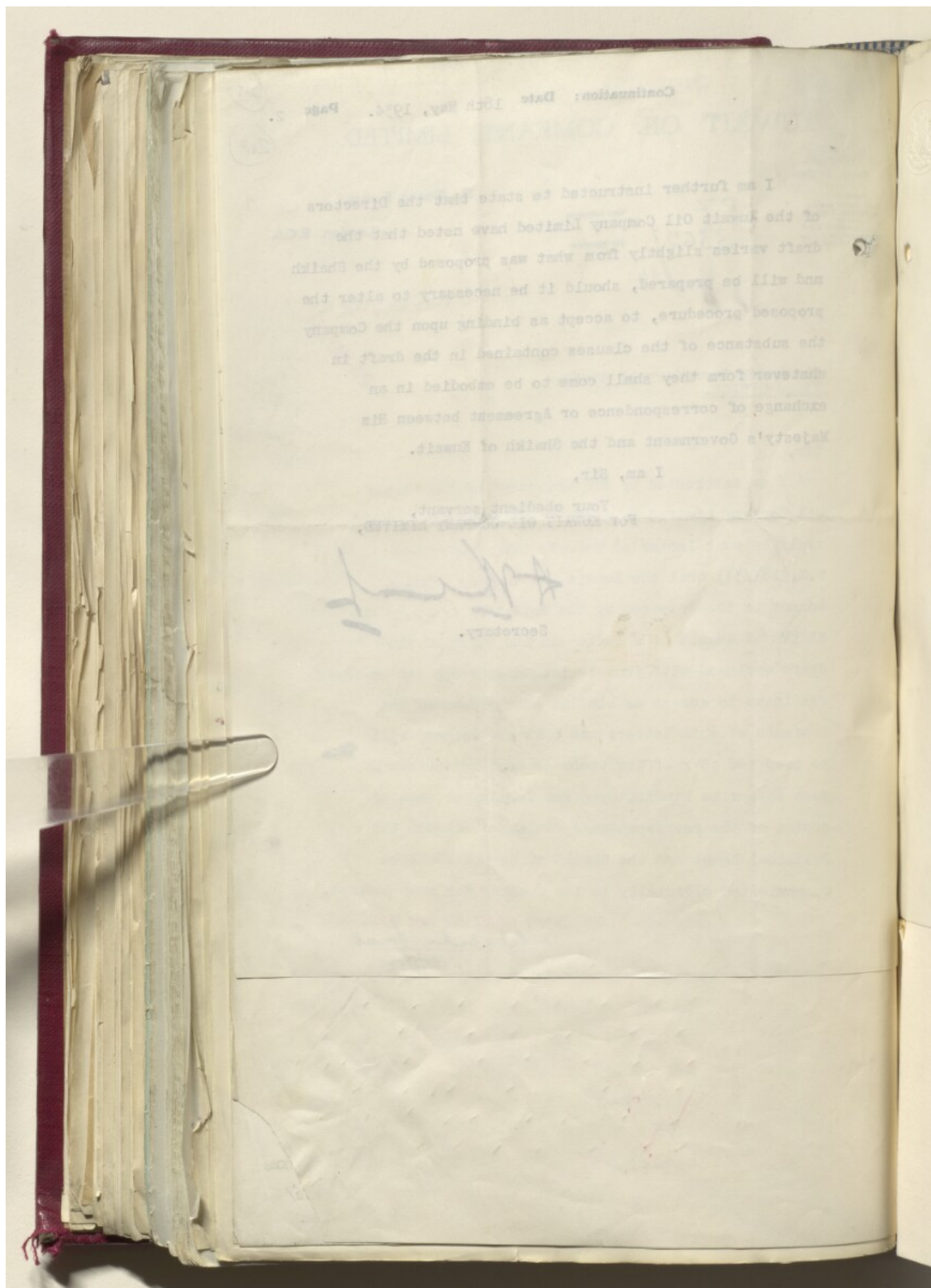
(218)

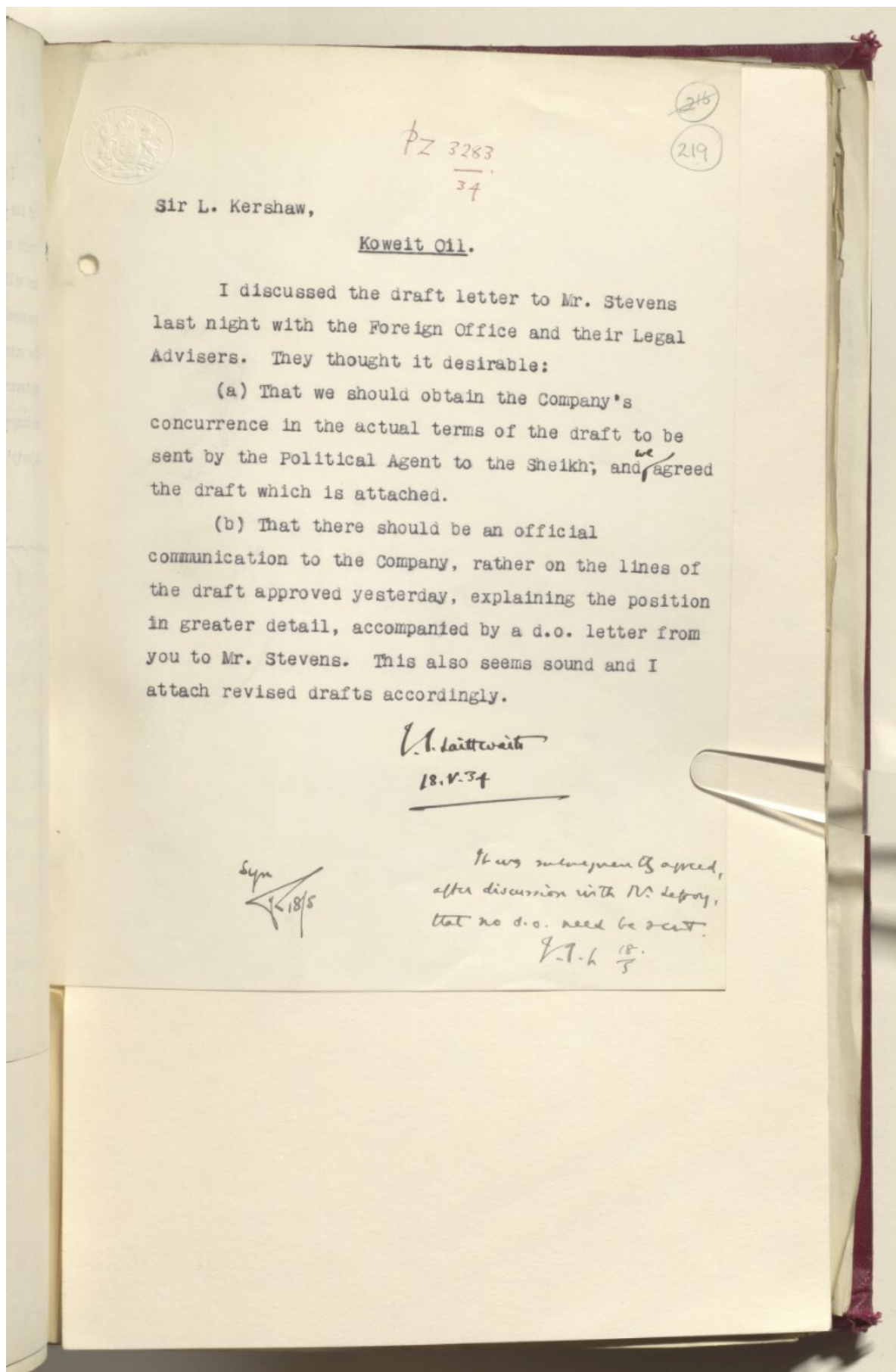
I am further instructed to state that the Directors of the Kuwait Oil Company Limited have noted that the draft varies slightly from what was proposed by the Shaikh and will be prepared, should it be necessary to alter the proposed procedure, to accept as binding upon the Company the substance of the clauses contained in the draft in whatever form they shall come to be embodied in an exchange of correspondence or Agreement between His Majesty's Government and the Shaikh of Kuwait.

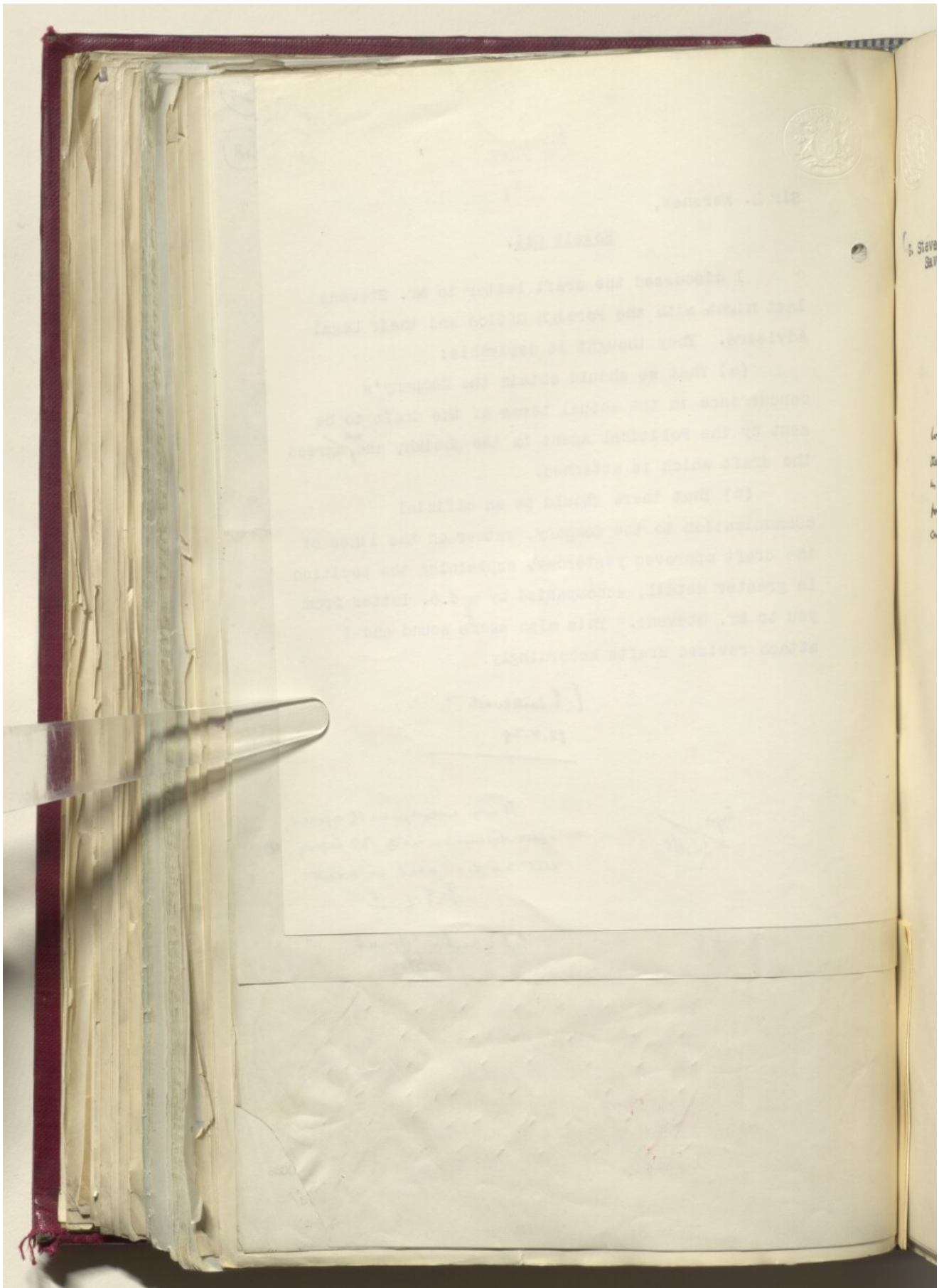
I am, Sir,

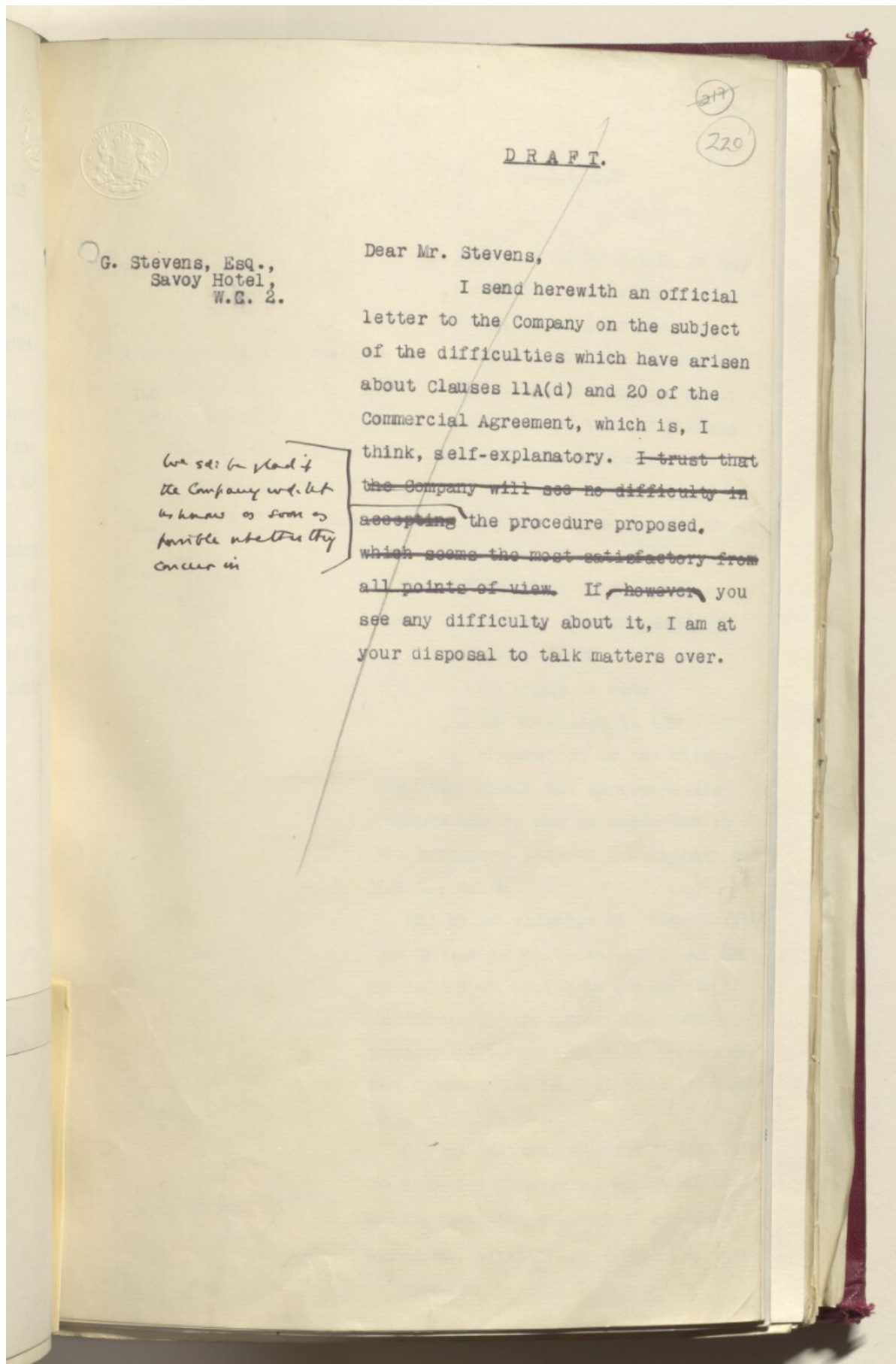
Your obedient servant,
For KUWAIT OIL COMPANY LIMITED,


Secretary.









DRAFT.

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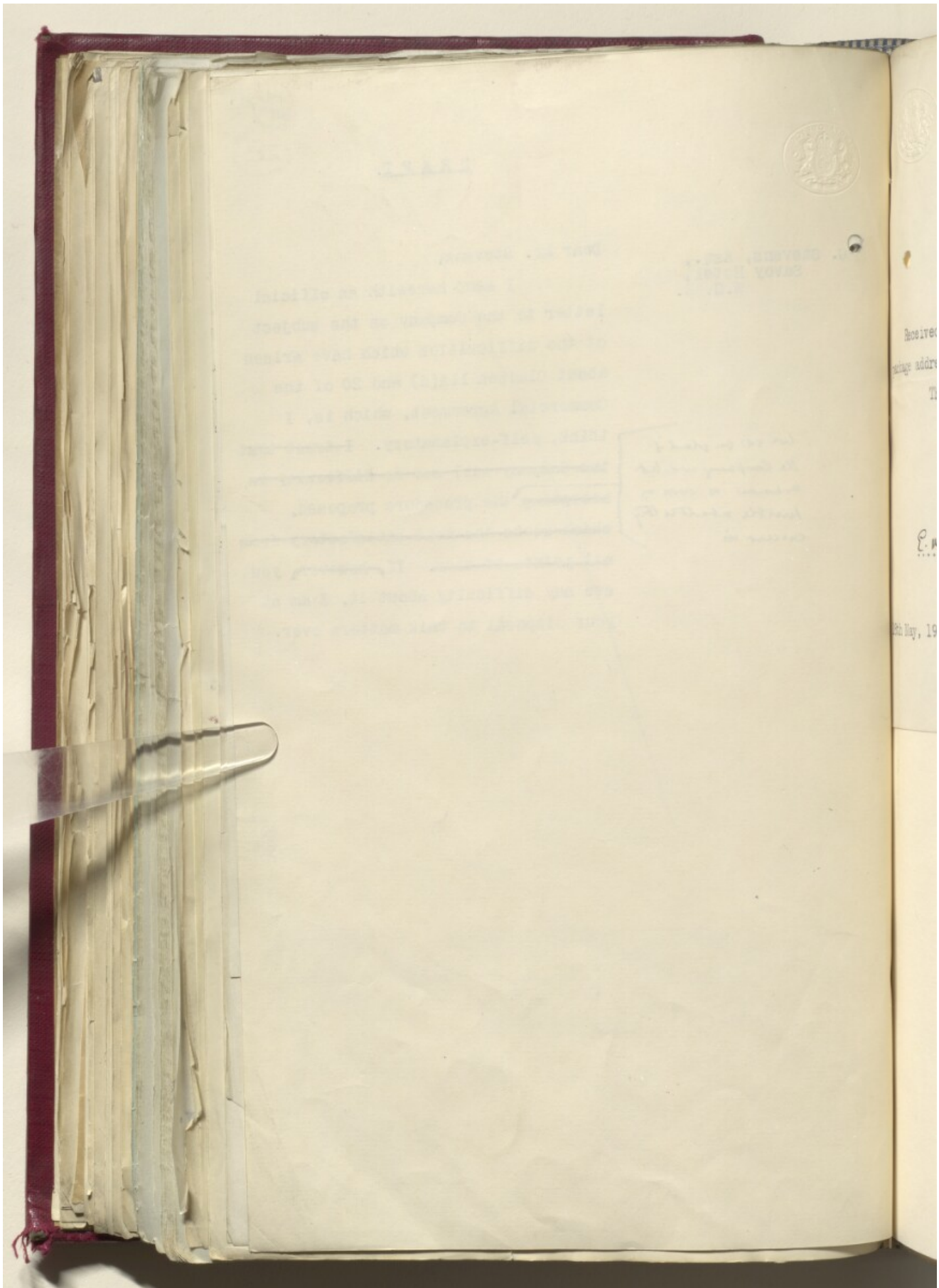
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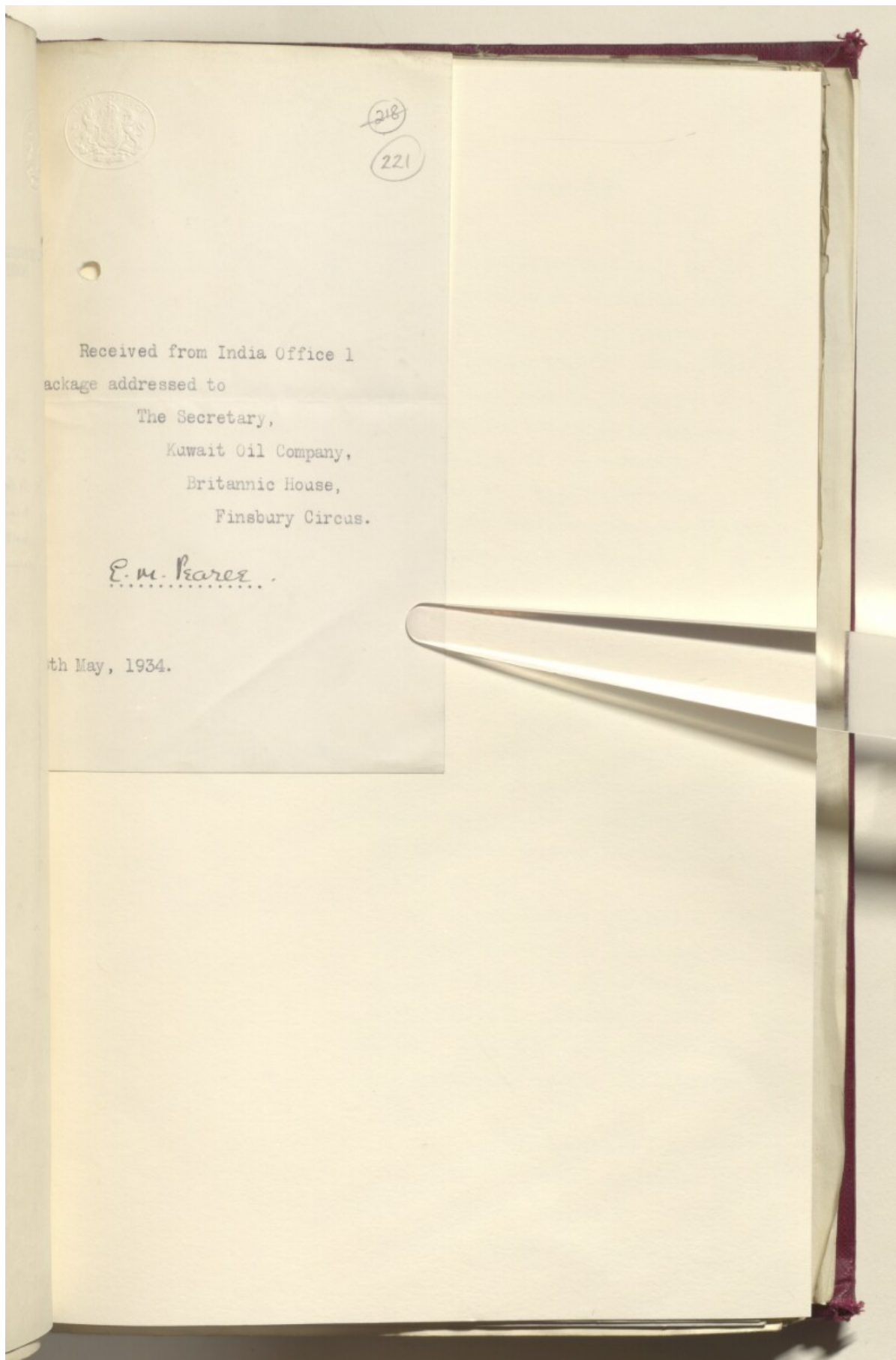
G. Stevens, Esq.,
Savoy Hotel,
W.C. 2.

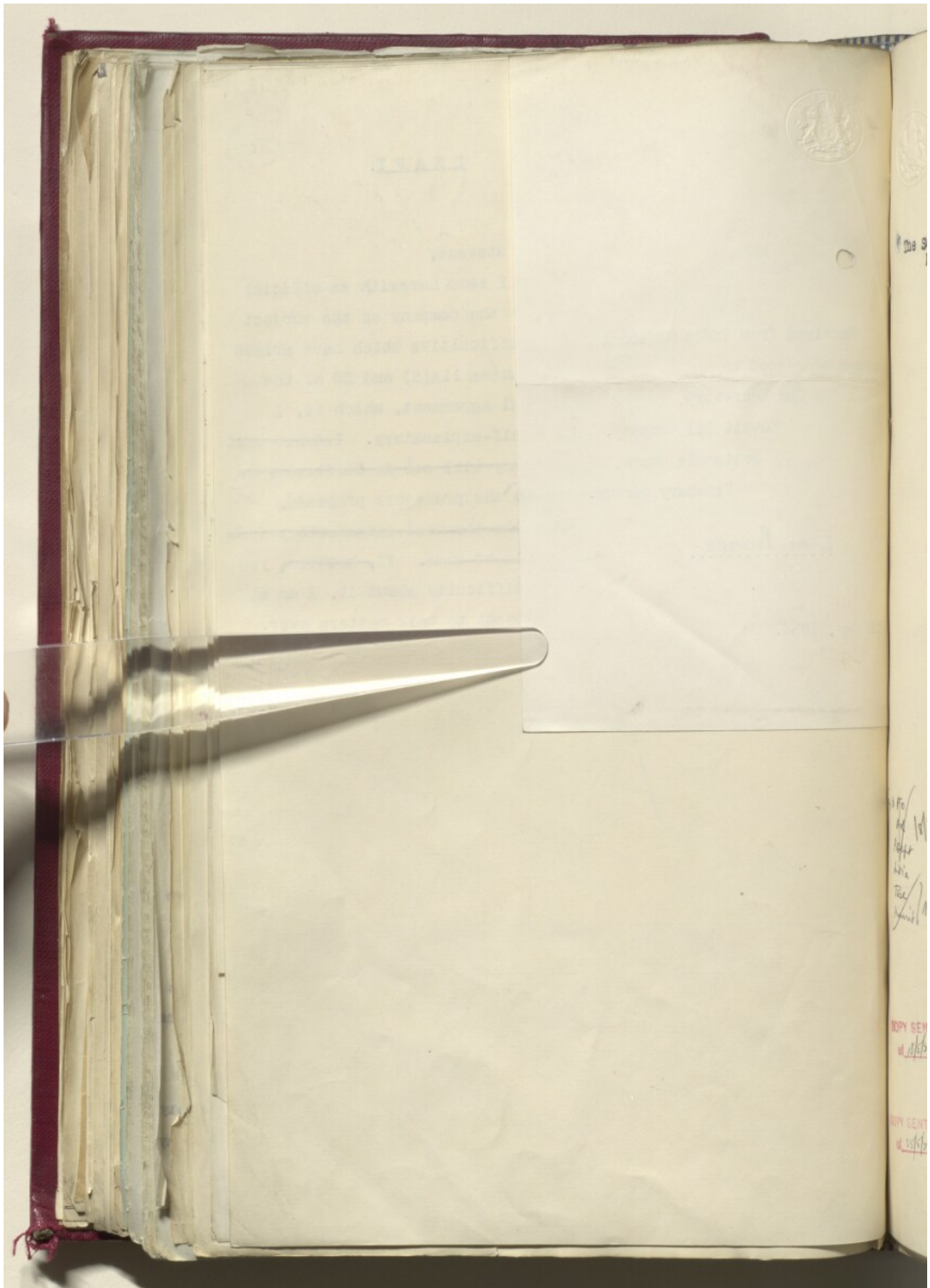
Dear Mr. Stevens,

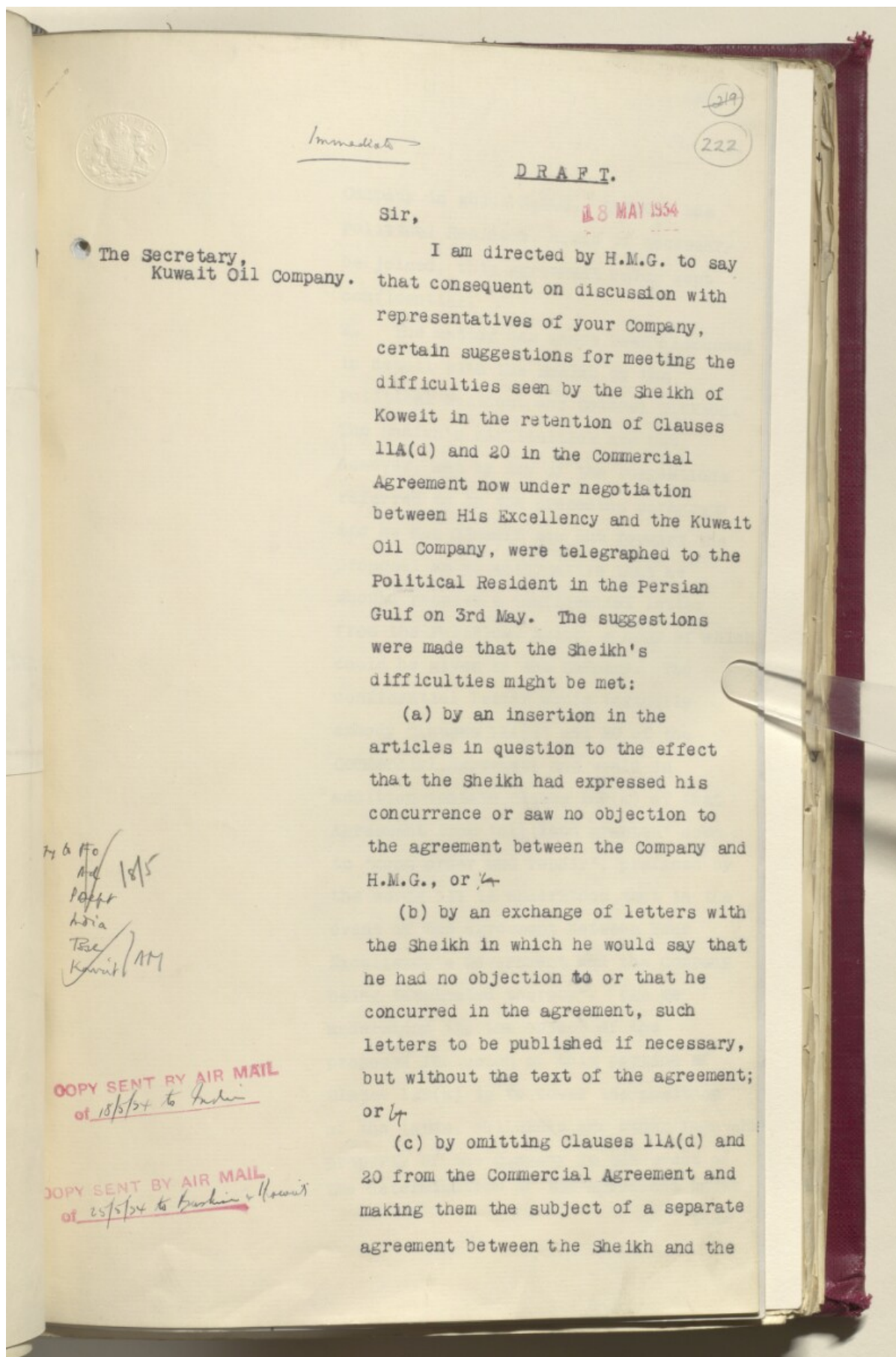
I send herewith an official letter to the Company on the subject of the difficulties which have arisen about Clauses 11A(d) and 20 of the Commercial Agreement, which is, I think, self-explanatory. ~~I trust that the Company will see no difficulty in accepting the procedure proposed, which seems the most satisfactory from all points of view.~~ If, however, you see any difficulty about it, I am at your disposal to talk matters over.

We are glad if the Company will let us know as soon as possible whether they concur in









Immediate

DRAFT.

18 MAY 1954

Sir,

The Secretary,
Kuwait Oil Company.

I am directed by H.M.G. to say that consequent on discussion with representatives of your Company, certain suggestions for meeting the difficulties seen by the Sheikh of Koweit in the retention of Clauses 11A(d) and 20 in the Commercial Agreement now under negotiation between His Excellency and the Kuwait Oil Company, were telegraphed to the Political Resident in the Persian Gulf on 3rd May. The suggestions were made that the Sheikh's difficulties might be met:

(a) by an insertion in the articles in question to the effect that the Sheikh had expressed his concurrence or saw no objection to the agreement between the Company and H.M.G., or

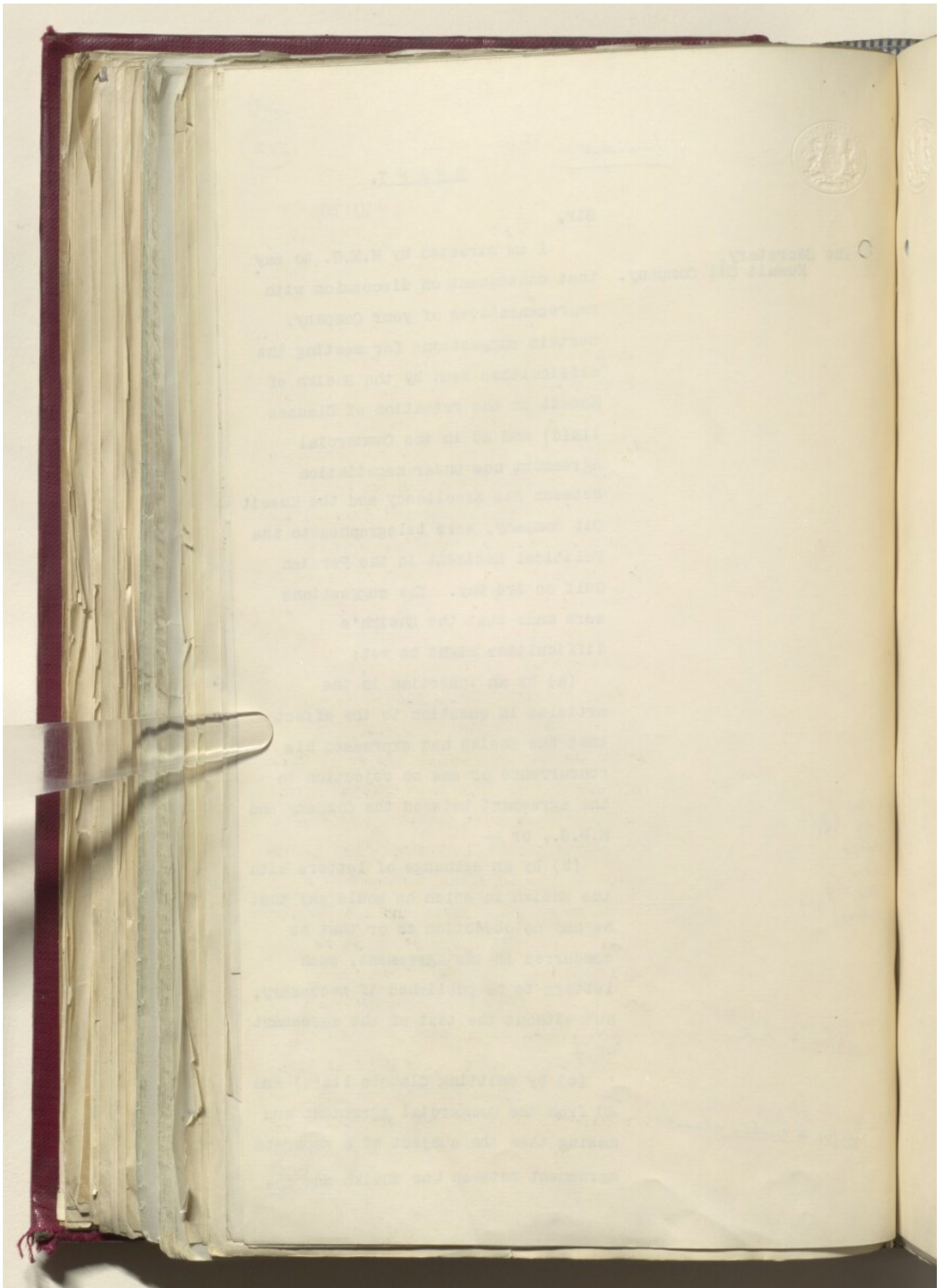
(b) by an exchange of letters with the Sheikh in which he would say that he had no objection to or that he concurred in the agreement, such letters to be published if necessary, but without the text of the agreement; or

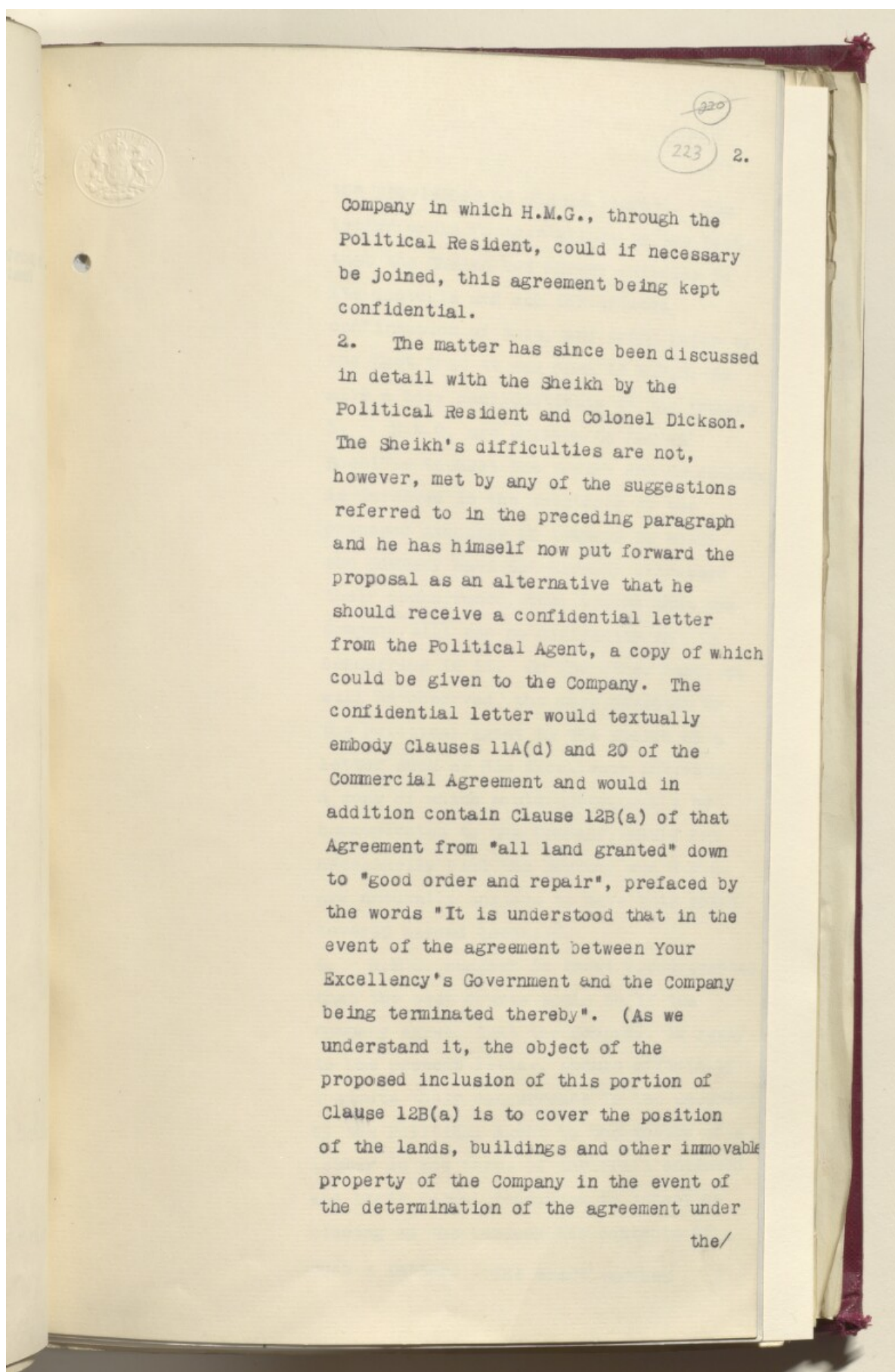
(c) by omitting Clauses 11A(d) and 20 from the Commercial Agreement and making them the subject of a separate agreement between the Sheikh and the

7/6/54
H.M.G.
18/5
10/5/54
H.M.G.
11/5/54
H.M.G.

COPY SENT BY AIR MAIL
of 18/5/54 to India

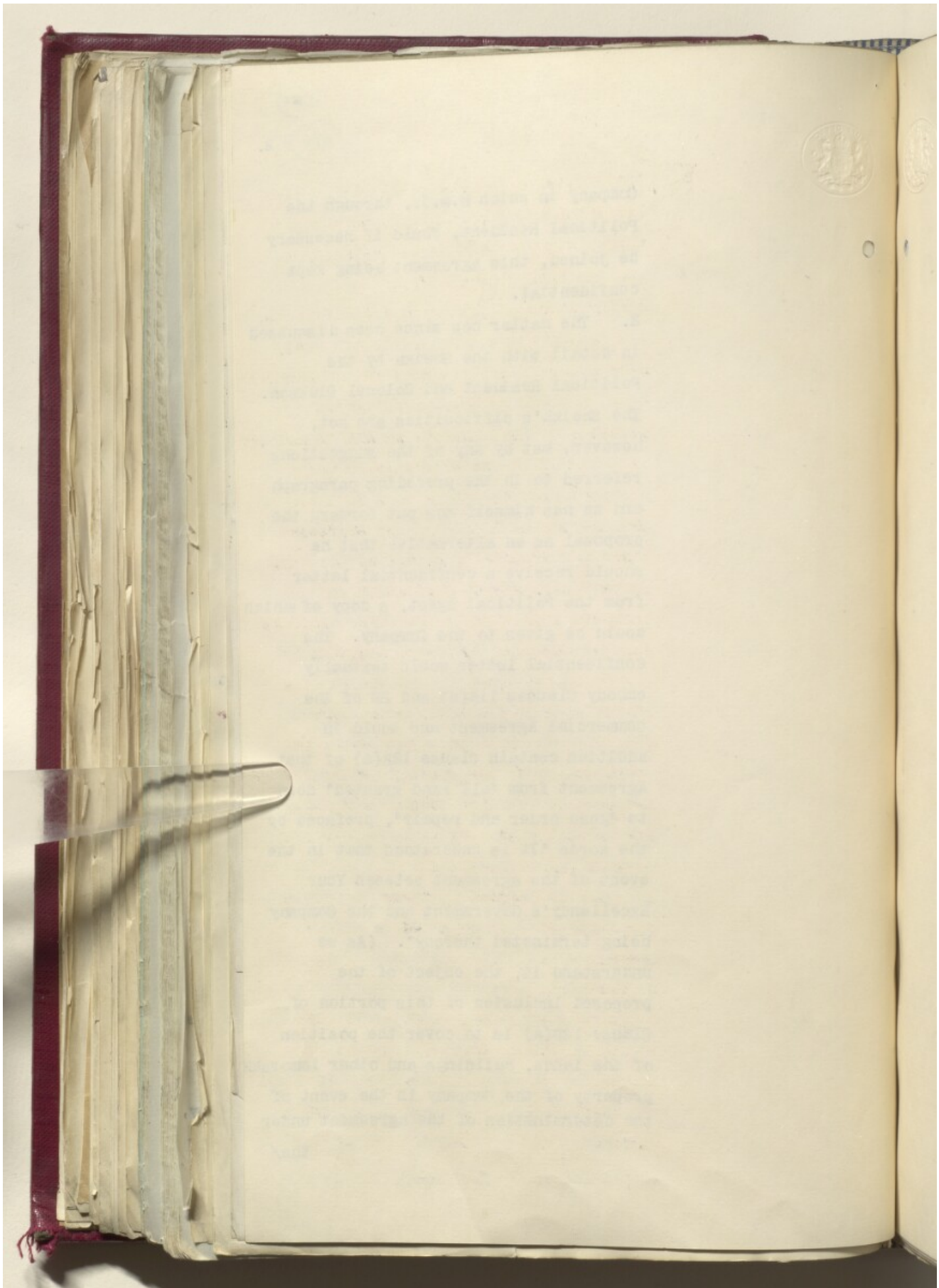
COPY SENT BY AIR MAIL
of 25/5/54 to Bahrain & Kuwait

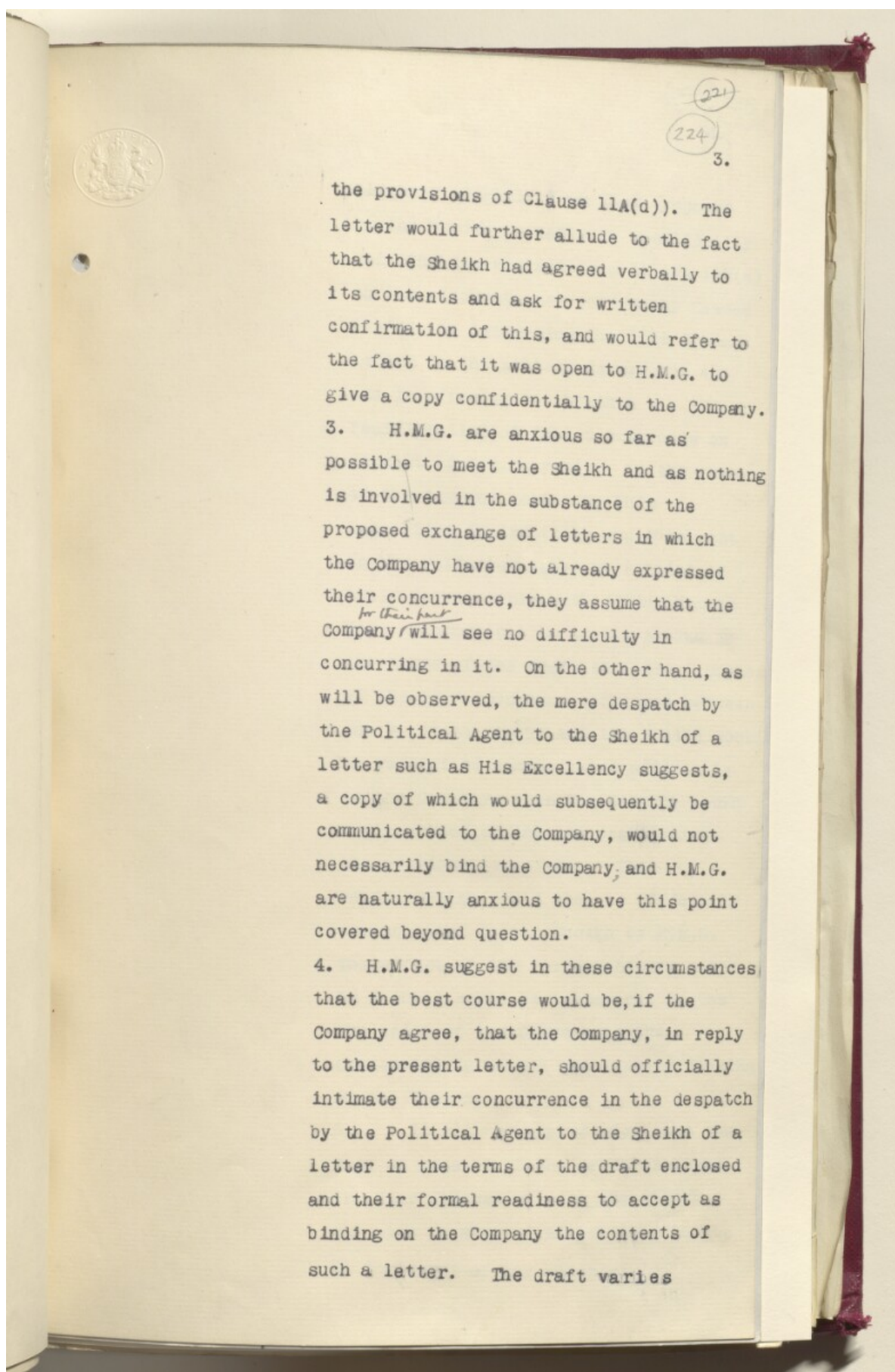




Company in which H.M.G., through the Political Resident, could if necessary be joined, this agreement being kept confidential.

2. The matter has since been discussed in detail with the Sheikh by the Political Resident and Colonel Dickson. The Sheikh's difficulties are not, however, met by any of the suggestions referred to in the preceding paragraph and he has himself now put forward the proposal as an alternative that he should receive a confidential letter from the Political Agent, a copy of which could be given to the Company. The confidential letter would textually embody Clauses 11A(d) and 20 of the Commercial Agreement and would in addition contain Clause 12B(a) of that Agreement from "all land granted" down to "good order and repair", prefaced by the words "It is understood that in the event of the agreement between Your Excellency's Government and the Company being terminated thereby". (As we understand it, the object of the proposed inclusion of this portion of Clause 12B(a) is to cover the position of the lands, buildings and other immovable property of the Company in the event of the determination of the agreement under the/

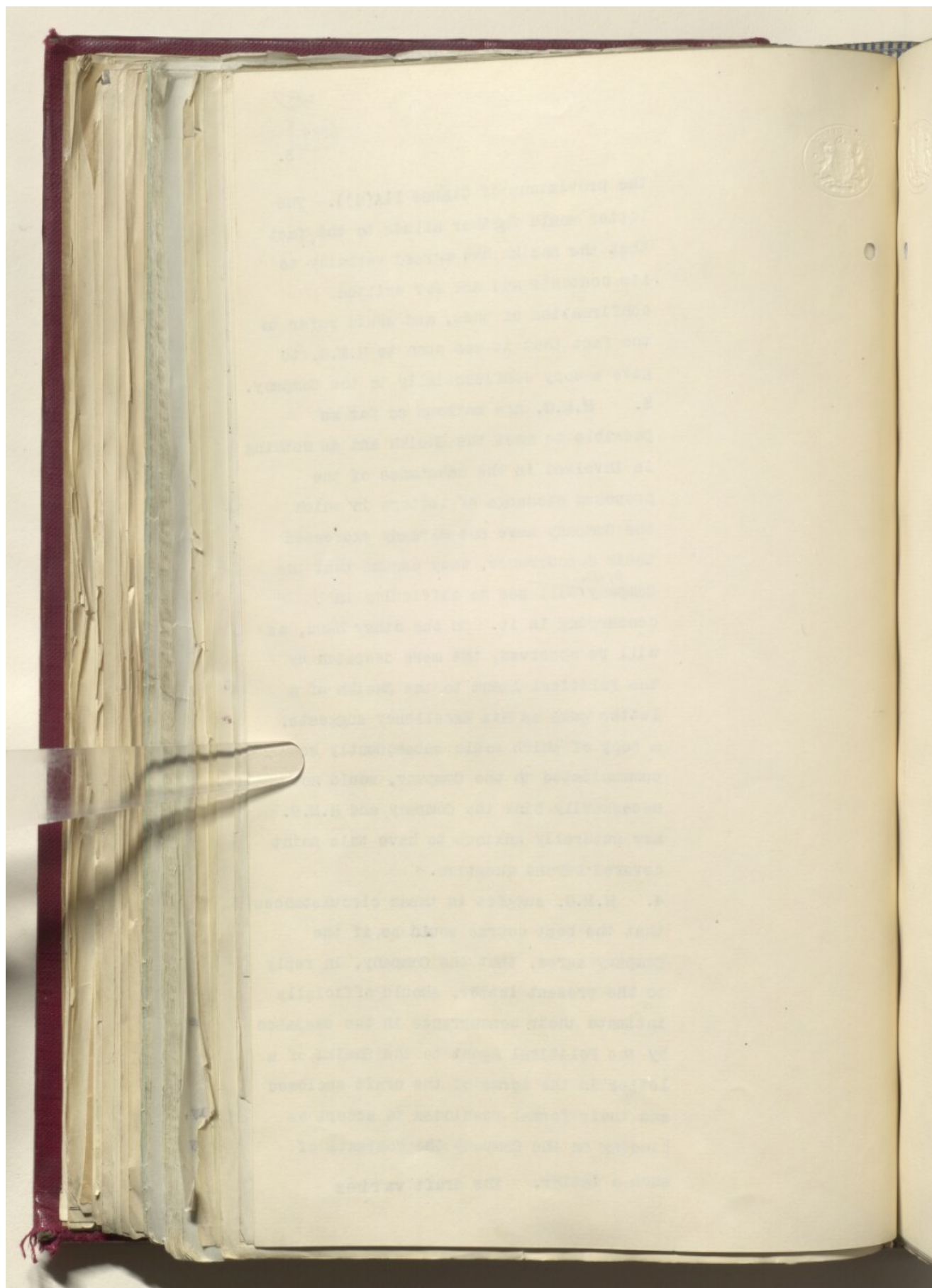


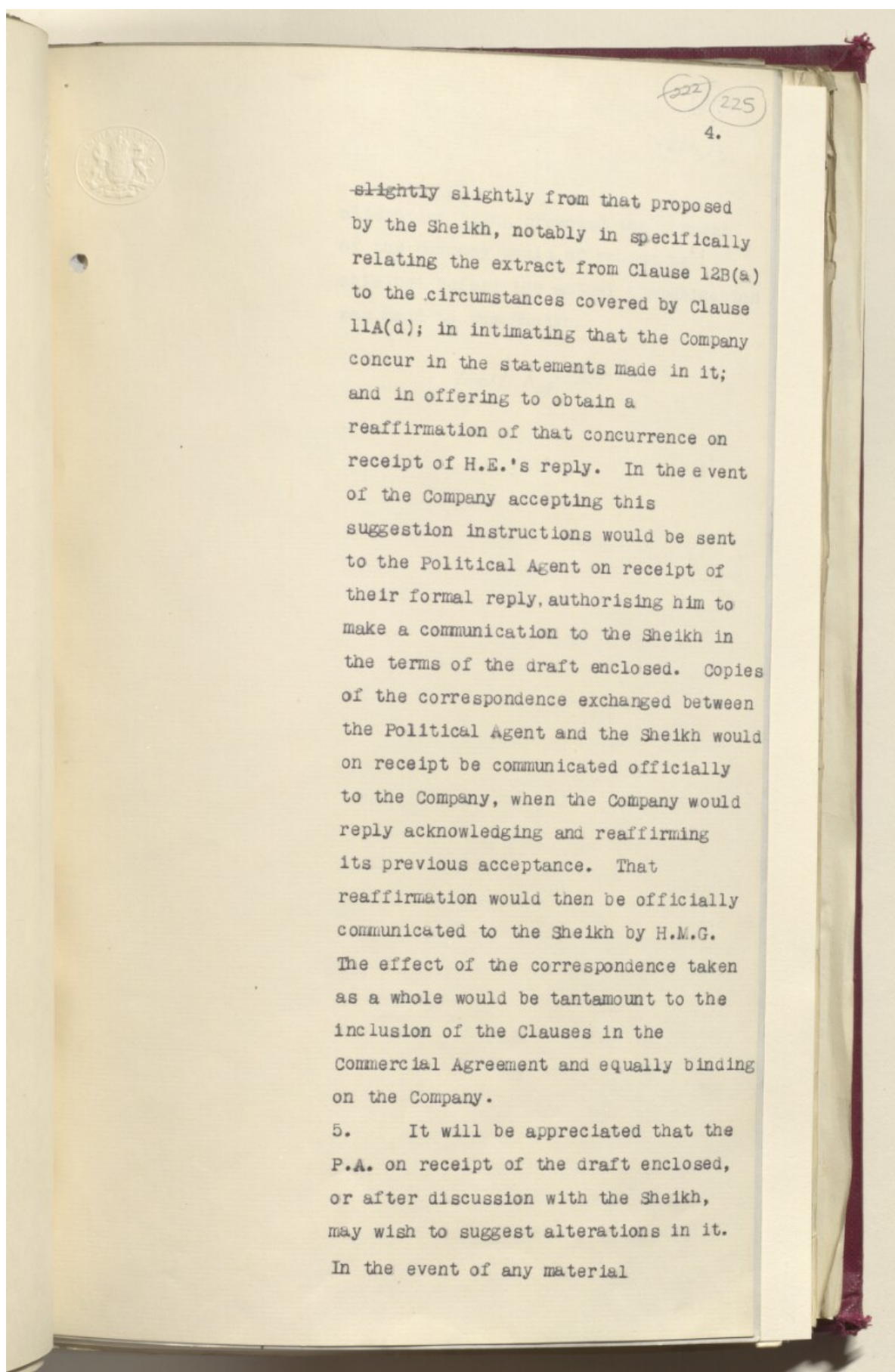


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224
3.
the provisions of Clause 11A(d)). The letter would further allude to the fact that the Sheikh had agreed verbally to its contents and ask for written confirmation of this, and would refer to the fact that it was open to H.M.G. to give a copy confidentially to the Company.

3. H.M.G. are anxious so far as possible to meet the Sheikh and as nothing is involved in the substance of the proposed exchange of letters in which the Company have not already expressed their concurrence, they assume that the Company ^{for their part} will see no difficulty in concurring in it. On the other hand, as will be observed, the mere despatch by the Political Agent to the Sheikh of a letter such as His Excellency suggests, a copy of which would subsequently be communicated to the Company, would not necessarily bind the Company, and H.M.G. are naturally anxious to have this point covered beyond question.

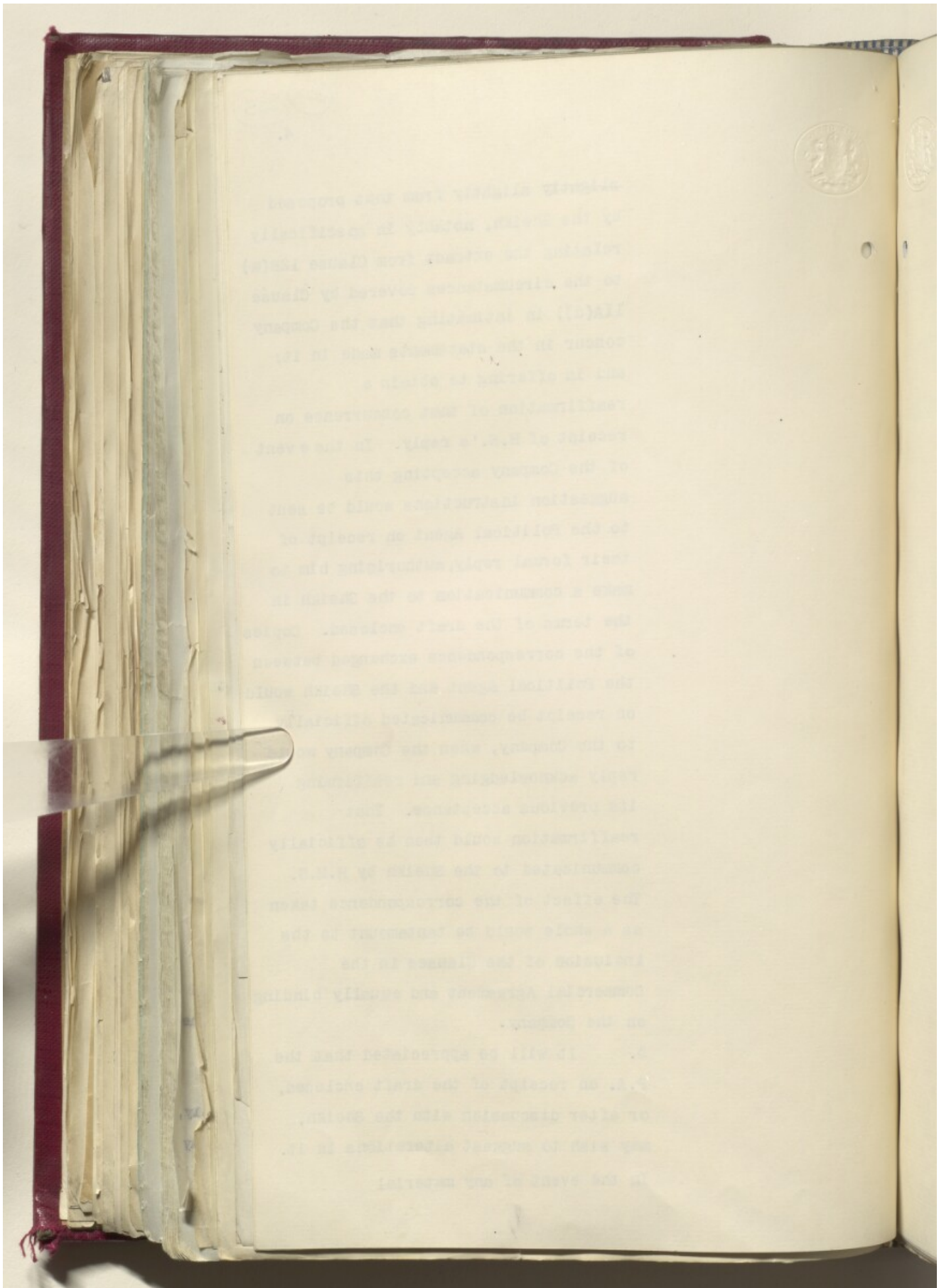
4. H.M.G. suggest in these circumstances that the best course would be, if the Company agree, that the Company, in reply to the present letter, should officially intimate their concurrence in the despatch by the Political Agent to the Sheikh of a letter in the terms of the draft enclosed and their formal readiness to accept as binding on the Company the contents of such a letter. The draft varies

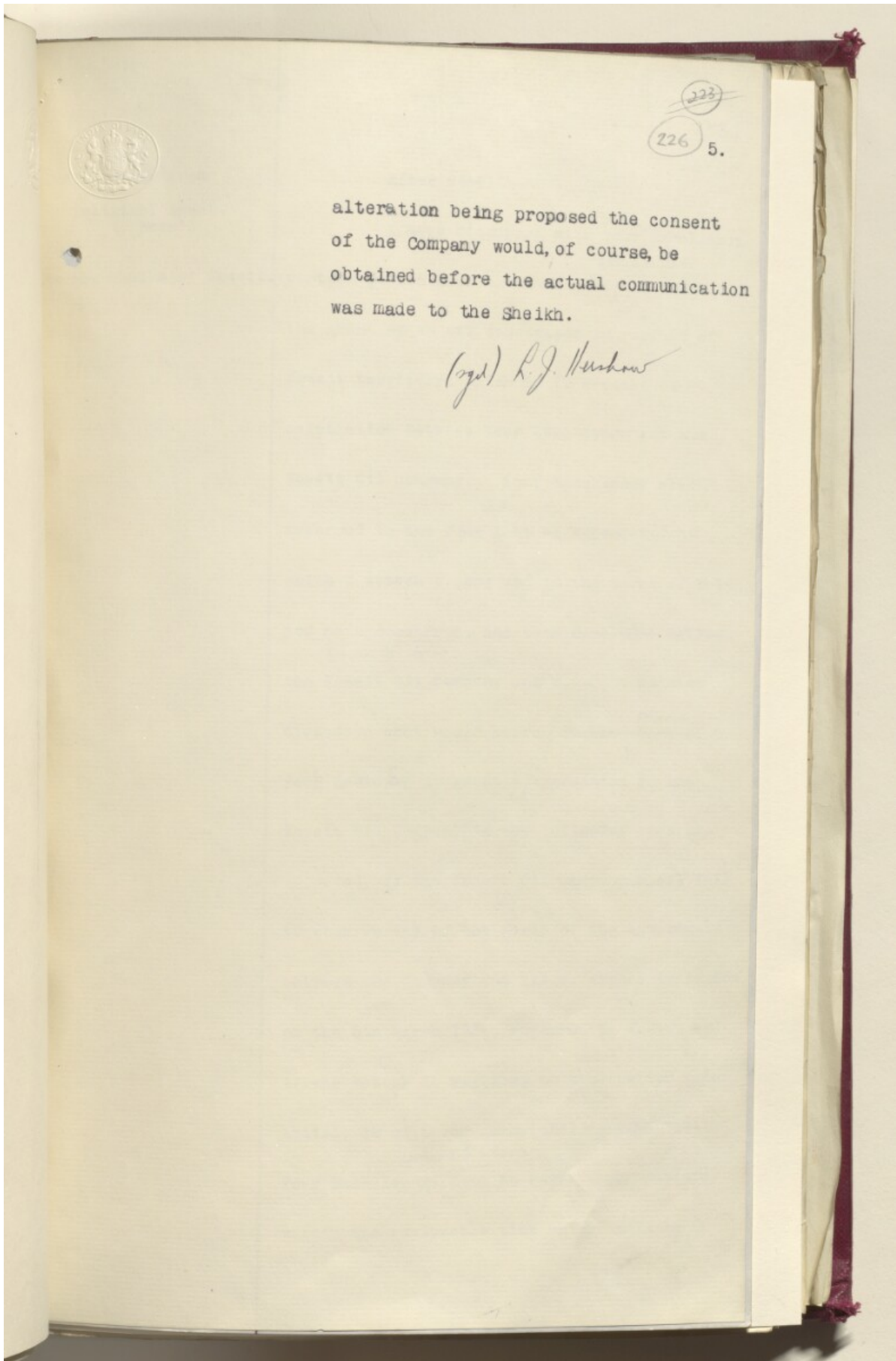


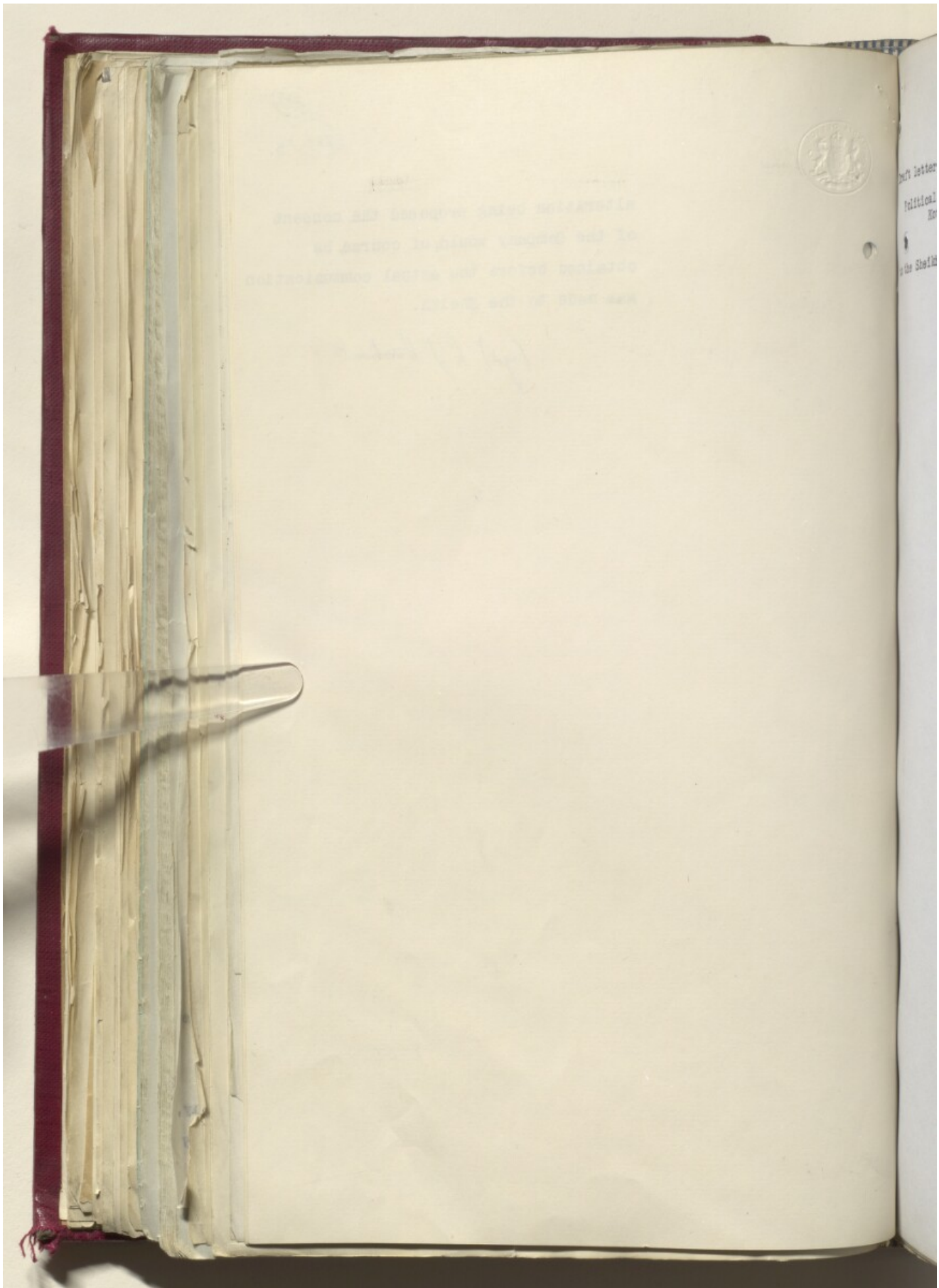


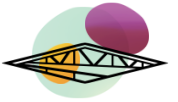
slightly slightly from that proposed by the Sheikh, notably in specifically relating the extract from Clause 12B(a) to the circumstances covered by Clause 11A(d); in intimating that the Company concur in the statements made in it; and in offering to obtain a reaffirmation of that concurrence on receipt of H.E.'s reply. In the event of the Company accepting this suggestion instructions would be sent to the Political Agent on receipt of their formal reply, authorising him to make a communication to the Sheikh in the terms of the draft enclosed. Copies of the correspondence exchanged between the Political Agent and the Sheikh would on receipt be communicated officially to the Company, when the Company would reply acknowledging and reaffirming its previous acceptance. That reaffirmation would then be officially communicated to the Sheikh by H.M.G. The effect of the correspondence taken as a whole would be tantamount to the inclusion of the Clauses in the Commercial Agreement and equally binding on the Company.

5. It will be appreciated that the P.A. on receipt of the draft enclosed, or after discussion with the Sheikh, may wish to suggest alterations in it. In the event of any material









Draft letter from
Political Agent,
Koweit

to the Sheikh of Koweit.

After compliments.

I have discussed with Your Excellency ^{Commercial} certain points arising out of the agreement for the grant of an oil concession in respect of Koweit territory, which is in process of negotiation between Your Excellency and the Koweit Oil Company. Your Excellency also referred to the fact that an agreement, of which I attach a copy and in the terms of which ^{Te} you have concurred, has been concluded between ^{see the Appendix} the Koweit Oil Company and H.M.G. We have discussed what would happen ^{Should} ~~in the event of~~ your deciding to grant a concession to the Koweit Oil Company in the following events:-

(a) If the Koweit Oil Company shall fail to observe any of the terms of the agreement between the Company and H.M.G. signed in London on the 5th March 1934, referred to above, and if the matter is referred to arbitration under Article 18 of their commercial agreement with ^{referred to above} Your Excellency, fail to remedy such failure within the reasonable time which shall be

fixed/

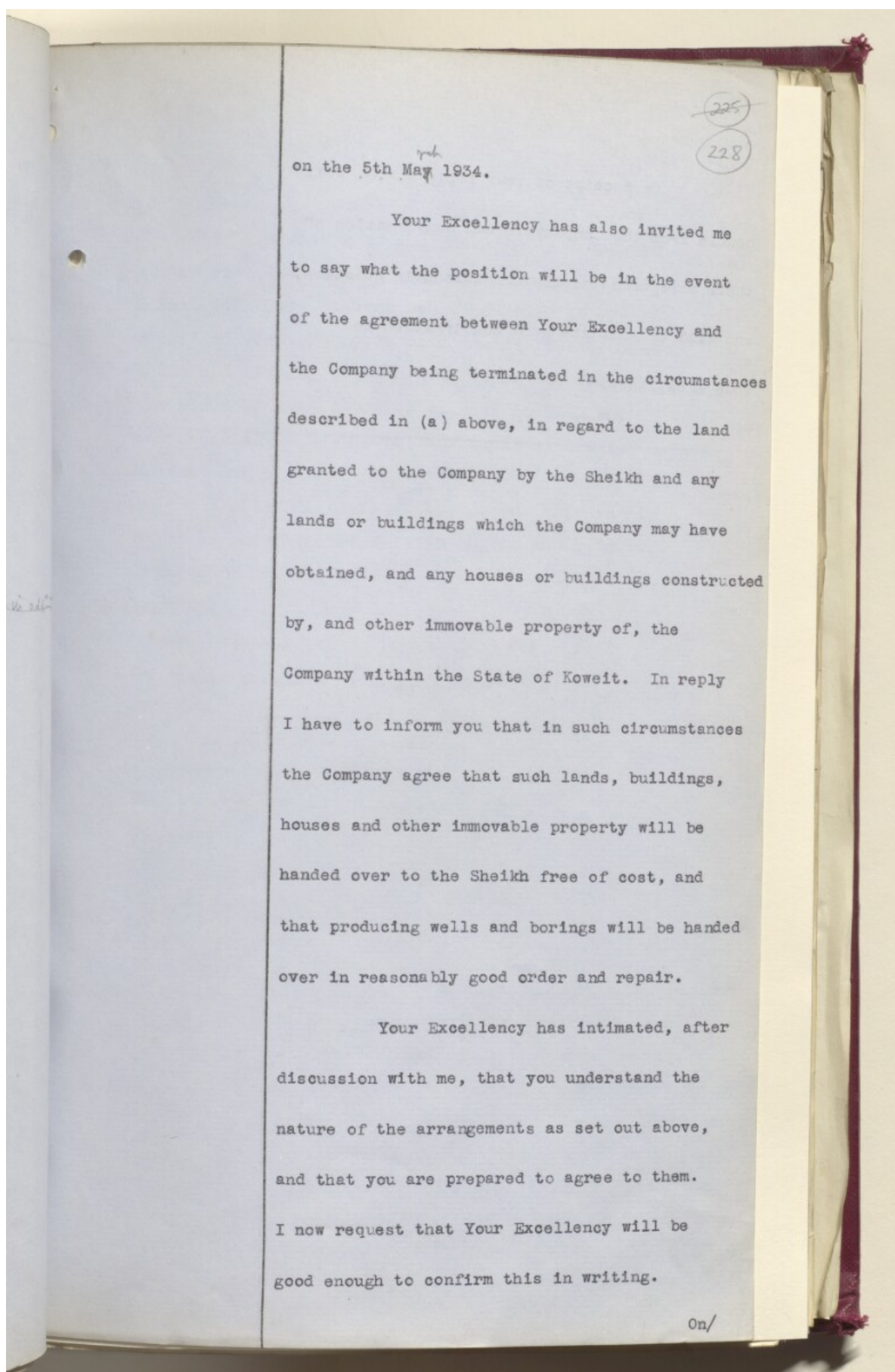


fixed by the arbitrators for so doing.

(b) Should any of the terms of the ~~commercial agreement~~^{referred to above} between Your Excellency and the Koweit Oil Company be inconsistent or in conflict with the terms of the agreement between the Company and H.M.G. signed in London on the 5th March 1934.

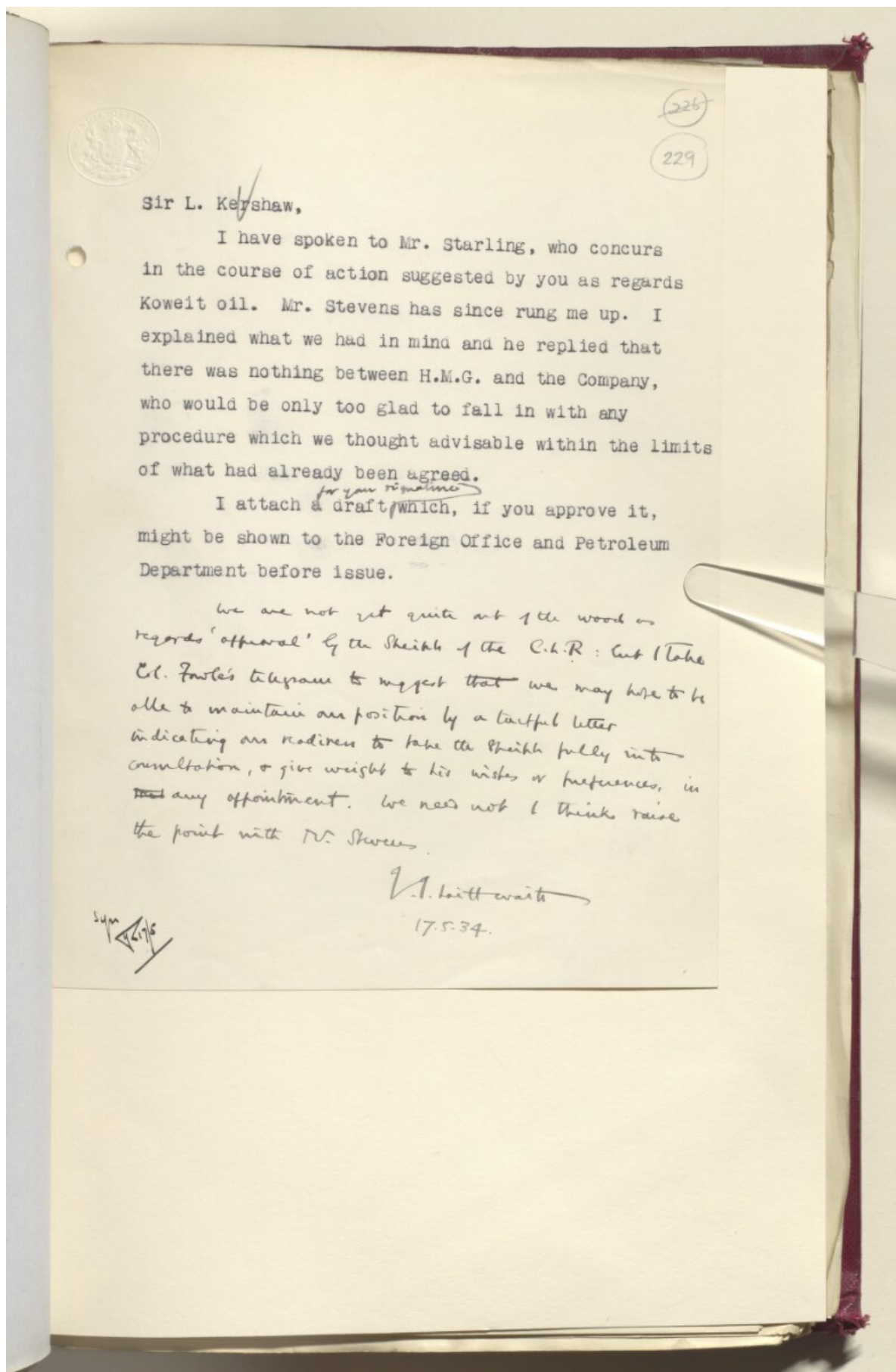
I have now to inform Your Excellency that in the event described in (a) above, then in that case ~~and~~^{as} in the cases mentioned in Article 11 of the commercial agreement ^{referred to above} between the Koweit Oil Company and Your Excellency ~~but~~^{and} in no other, the Company agree that Your Excellency will be entitled to terminate the commercial agreement, and all the property of the Company within the State of Koweit shall become the property of the Sheikh. In the events described in (b) above, the commercial agreement between Your Excellency and the Koweit Oil Company will, to the extent of any such inconsistencies and conflicts, be subordinate to or controlled by the terms of the agreement between the Company and H.M.G. signed in London

on/





On receipt of your reply H.M.G. will
obtain from the Company formal confirmation of
their acceptance of the conditions in question,
and will communicate such confirmation to
Your Excellency.



Sir L. Kershaw,

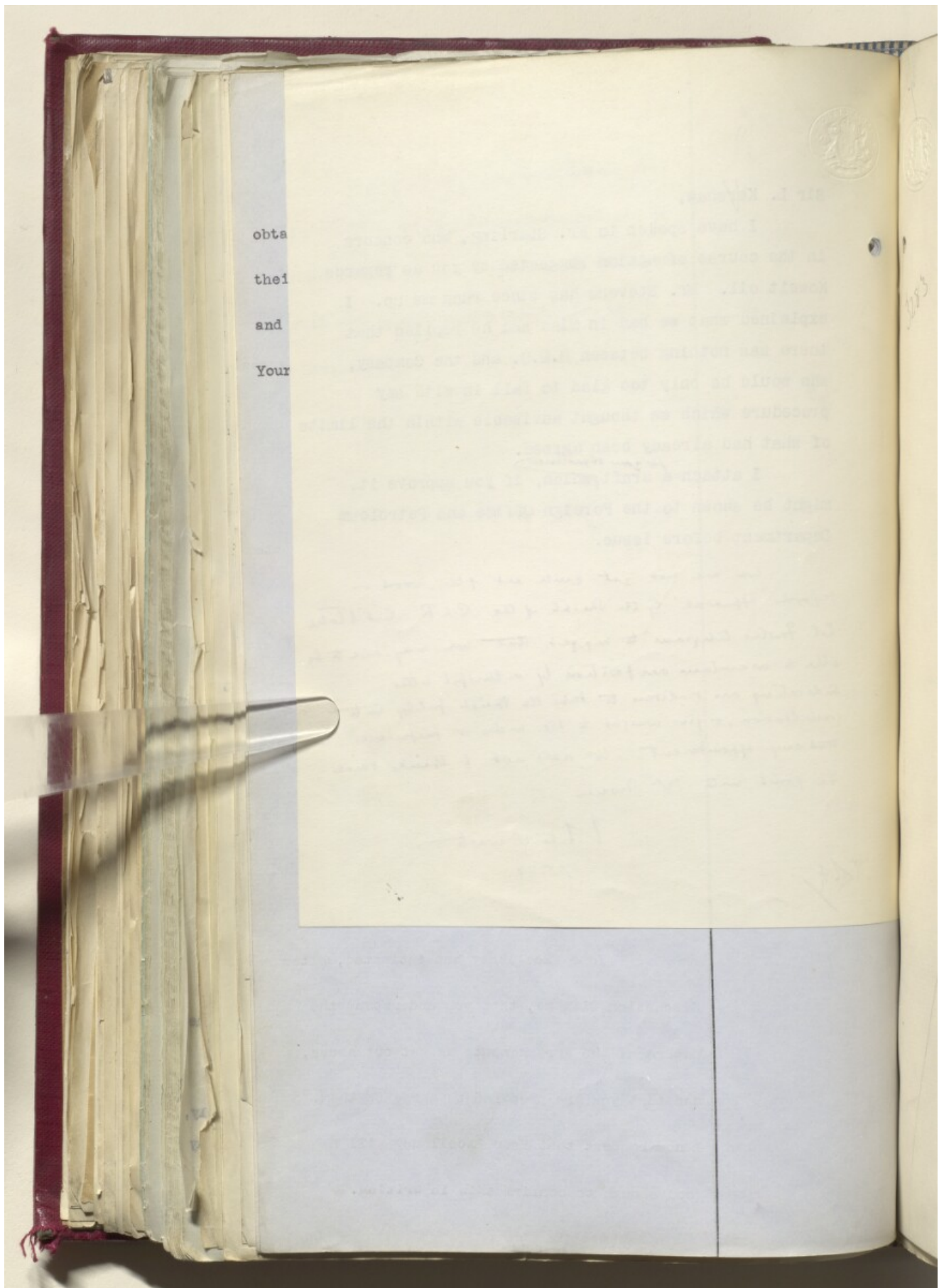
I have spoken to Mr. Starling, who concurs in the course of action suggested by you as regards Koweit oil. Mr. Stevens has since rung me up. I explained what we had in mind and he replied that there was nothing between H.M.G. and the Company, who would be only too glad to fall in with any procedure which we thought advisable within the limits of what had already been agreed.

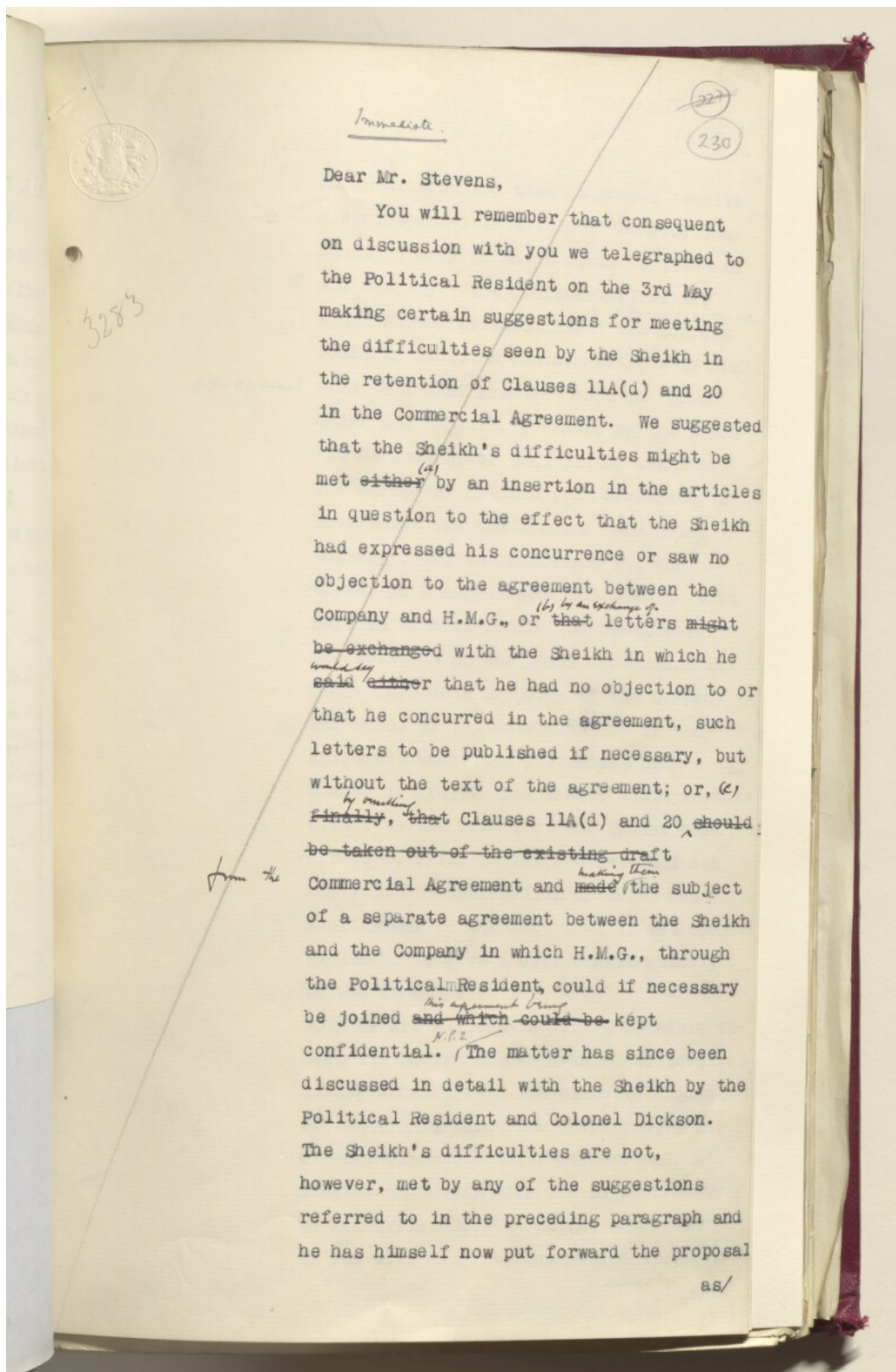
I attach ^{for your reference} a draft which, if you approve it, might be shown to the Foreign Office and Petroleum Department before issue.

We are not yet quite out of the wood as regards 'approval' by the Sheikh of the C.R. : but I take Col. Fowler's telegram to suggest that we may hope to be able to maintain our position by a tactful letter indicating our readiness to take the Sheikh fully into consultation, & give weight to his wishes or preferences, in ~~the~~ any appointment. We need not I think raise the point with Mr. Stevens.

J. T. Laitt-wait
17.5.34.

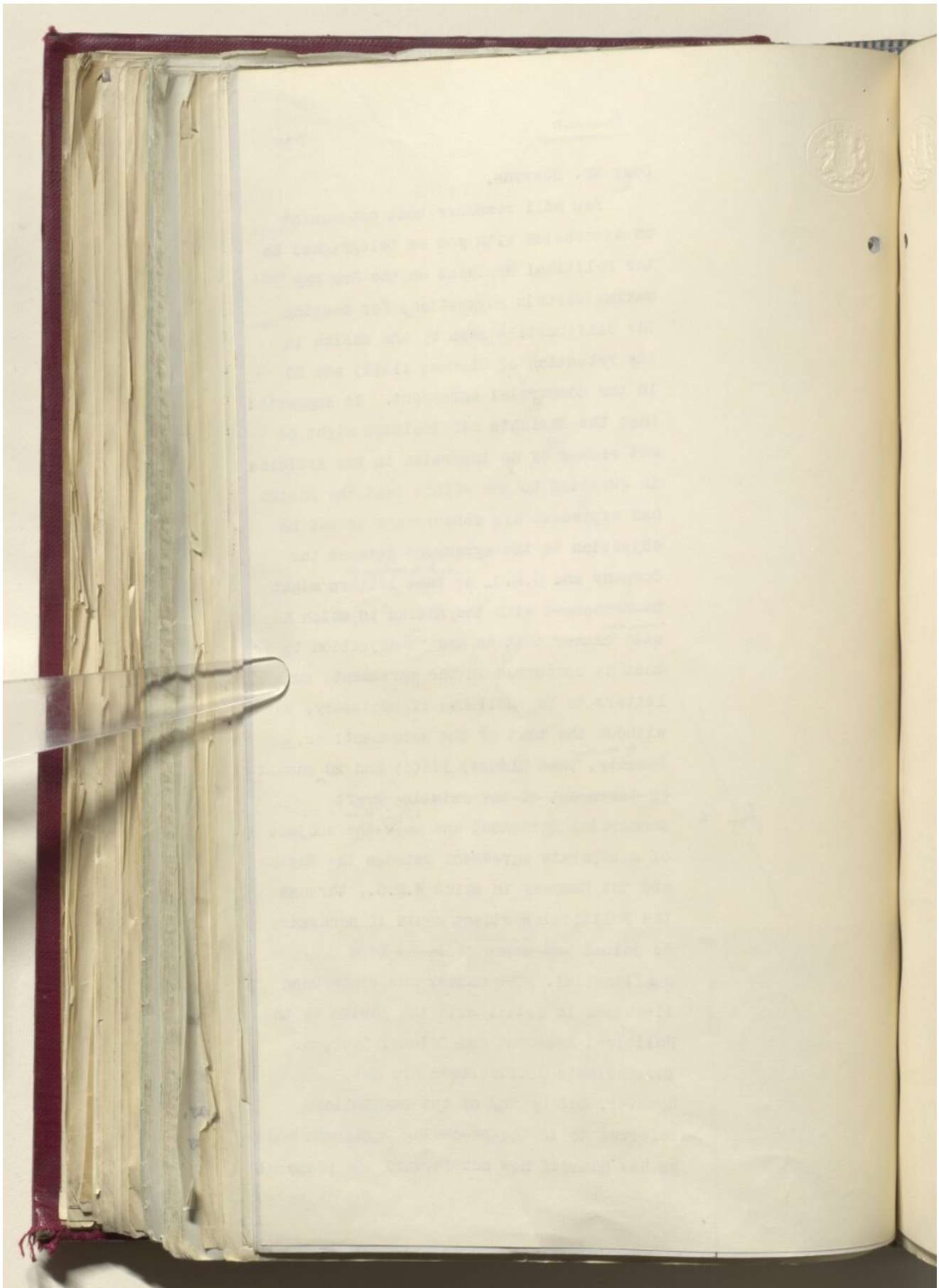
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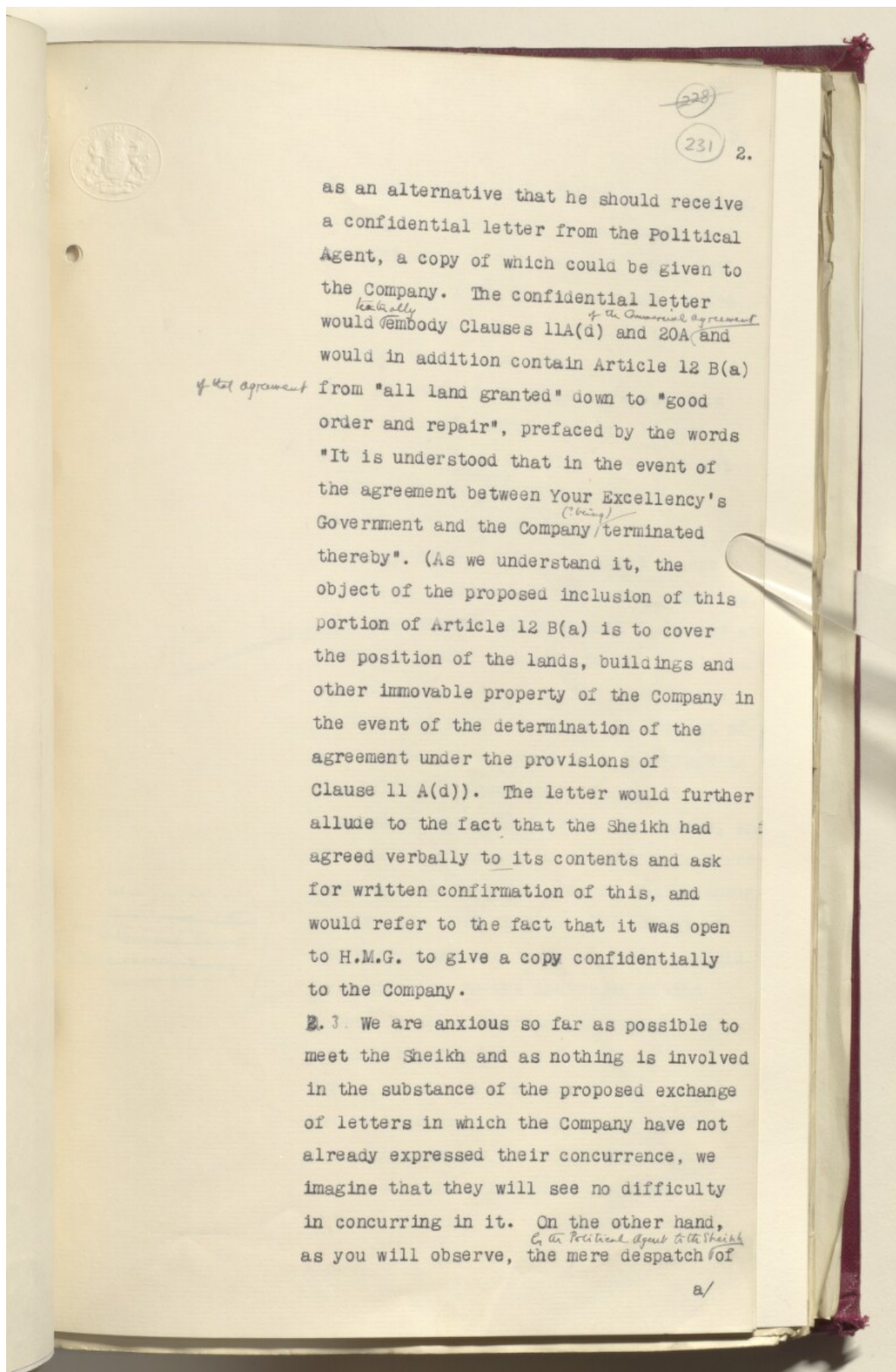




Immediate.
Dear Mr. Stevens,

3283
You will remember that consequent on discussion with you we telegraphed to the Political Resident on the 3rd May making certain suggestions for meeting the difficulties seen by the Sheikh in the retention of Clauses 11A(d) and 20 in the Commercial Agreement. We suggested that the Sheikh's difficulties might be met ^(a) either by an insertion in the articles in question to the effect that the Sheikh had expressed his concurrence or saw no objection to the agreement between the Company and H.M.G., or ^{(b) by an exchange of} that letters might be exchanged with the Sheikh in which he ~~would say~~ ^{would say} ~~said either~~ that he had no objection to or that he concurred in the agreement, such letters to be published if necessary, but without the text of the agreement; or, ^{by inserting} ~~finally, that~~ Clauses 11A(d) and 20 ^{should} be taken out of the existing draft Commercial Agreement and ^{making them} ~~made~~ the subject of a separate agreement between the Sheikh and the Company in which H.M.G., through the Political Resident, could if necessary be joined ^{this agreement being} ~~and which could be kept~~ confidential. ^{N.P.2.} The matter has since been discussed in detail with the Sheikh by the Political Resident and Colonel Dickson. The Sheikh's difficulties are not, however, met by any of the suggestions referred to in the preceding paragraph and he has himself now put forward the proposal
as/



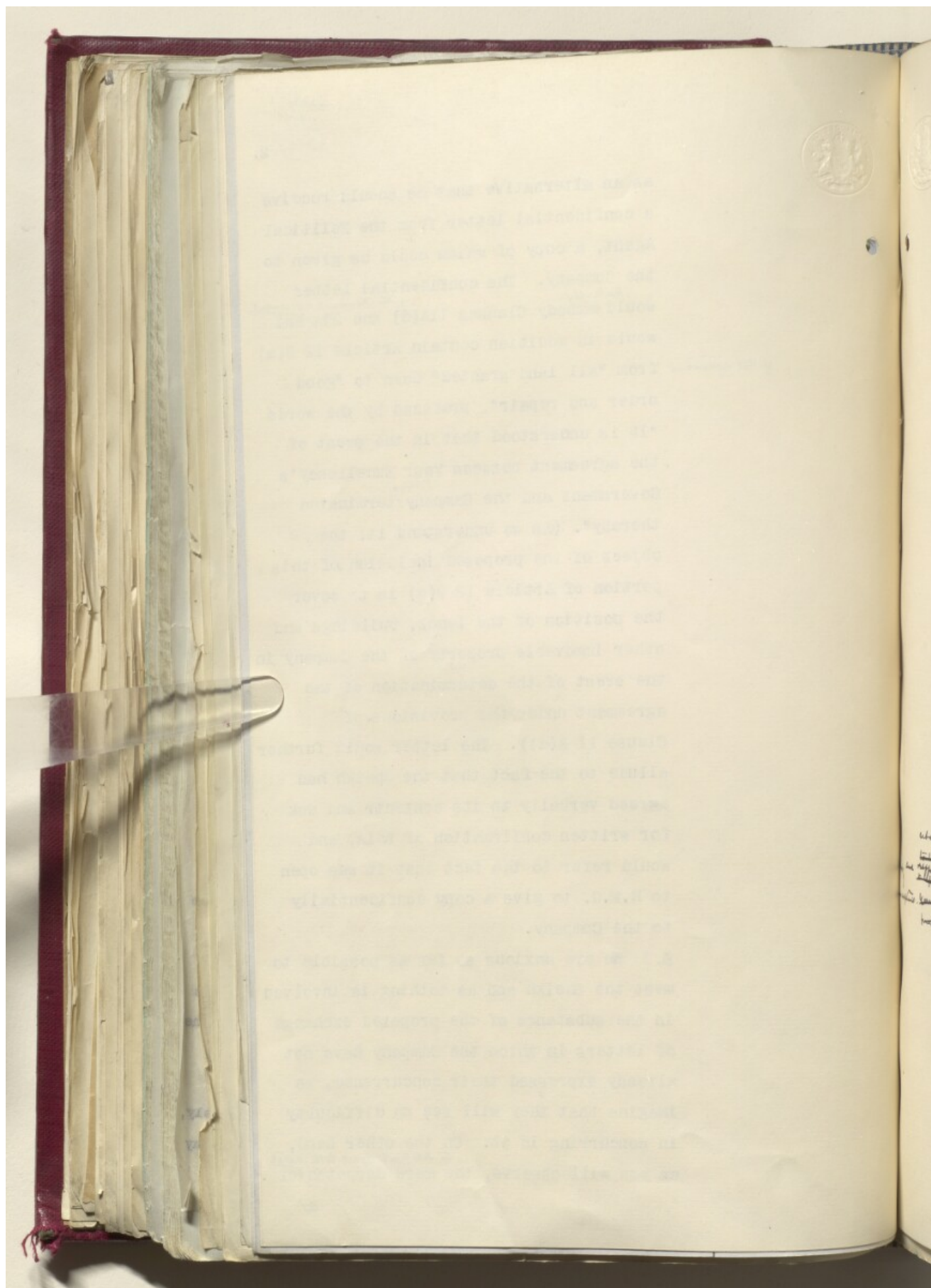


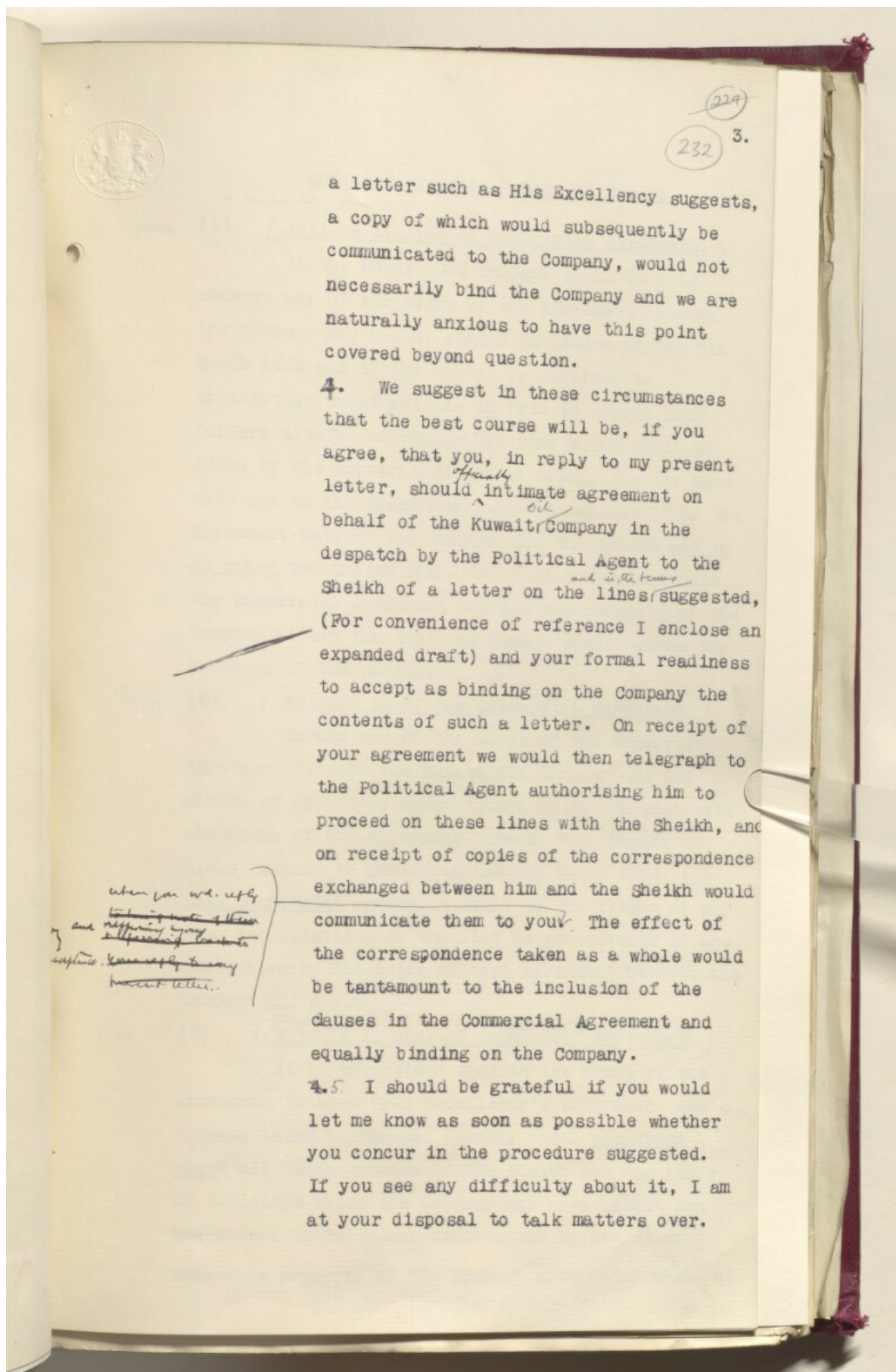
(228)
(231) 2.

as an alternative that he should receive a confidential letter from the Political Agent, a copy of which could be given to the Company. The confidential letter would ^{verbally} embody ^{of the Commercial Agreement} Clauses 11A(d) and 20A and would in addition contain Article 12 B(a) ^{of that agreement} from "all land granted" down to "good order and repair", prefaced by the words "It is understood that in the event of the agreement between Your Excellency's Government and the Company ^(being) terminated thereby". (As we understand it, the object of the proposed inclusion of this portion of Article 12 B(a) is to cover the position of the lands, buildings and other immovable property of the Company in the event of the determination of the agreement under the provisions of Clause 11 A(d)). The letter would further allude to the fact that the Sheikh had agreed verbally to its contents and ask for written confirmation of this, and would refer to the fact that it was open to H.M.G. to give a copy confidentially to the Company.

2.3. We are anxious so far as possible to meet the Sheikh and as nothing is involved in the substance of the proposed exchange of letters in which the Company have not already expressed their concurrence, we imagine that they will see no difficulty in concurring in it. On the other hand, ^{by the Political Agent to the Sheikh} as you will observe, the mere despatch of

a/



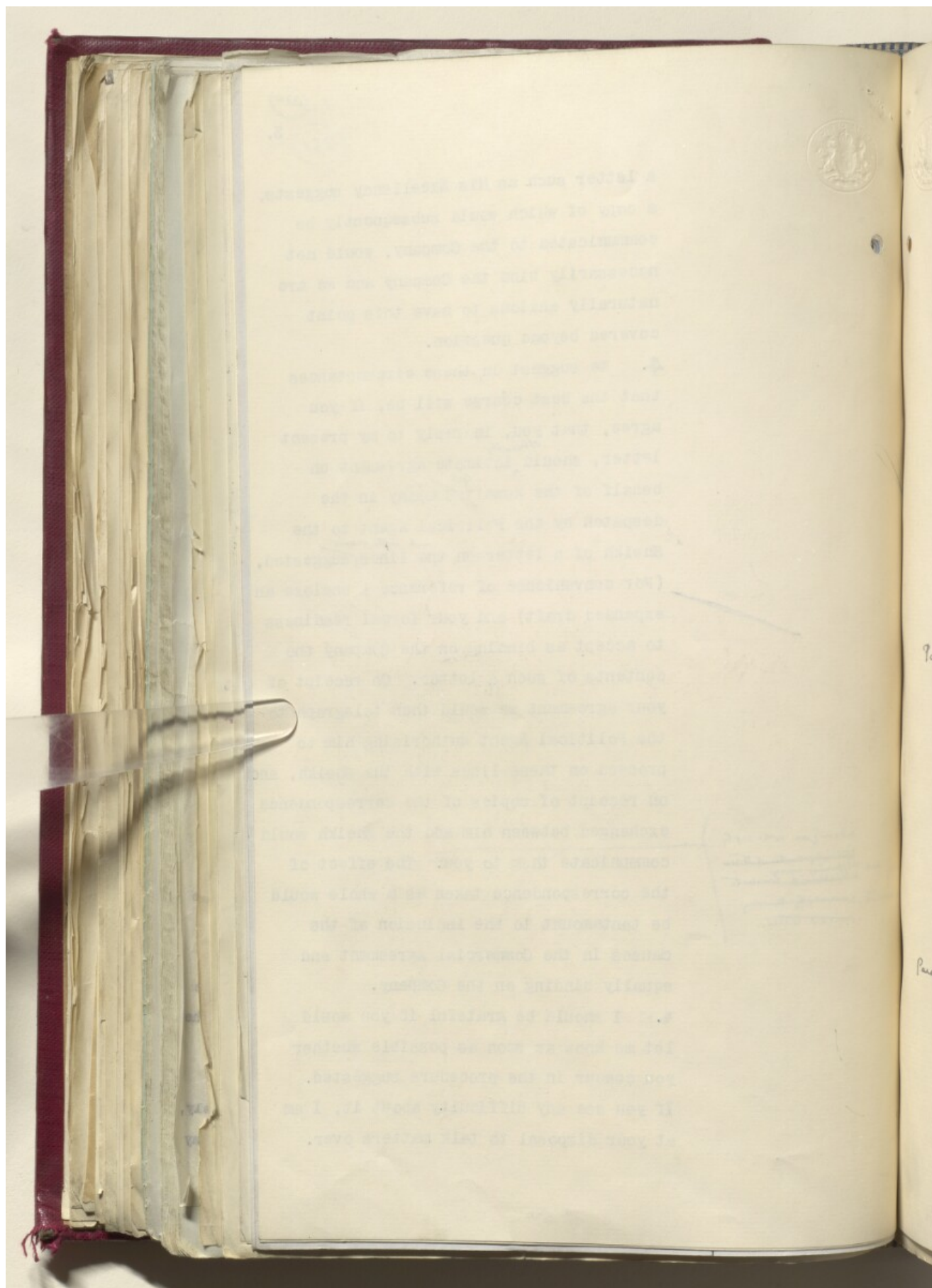


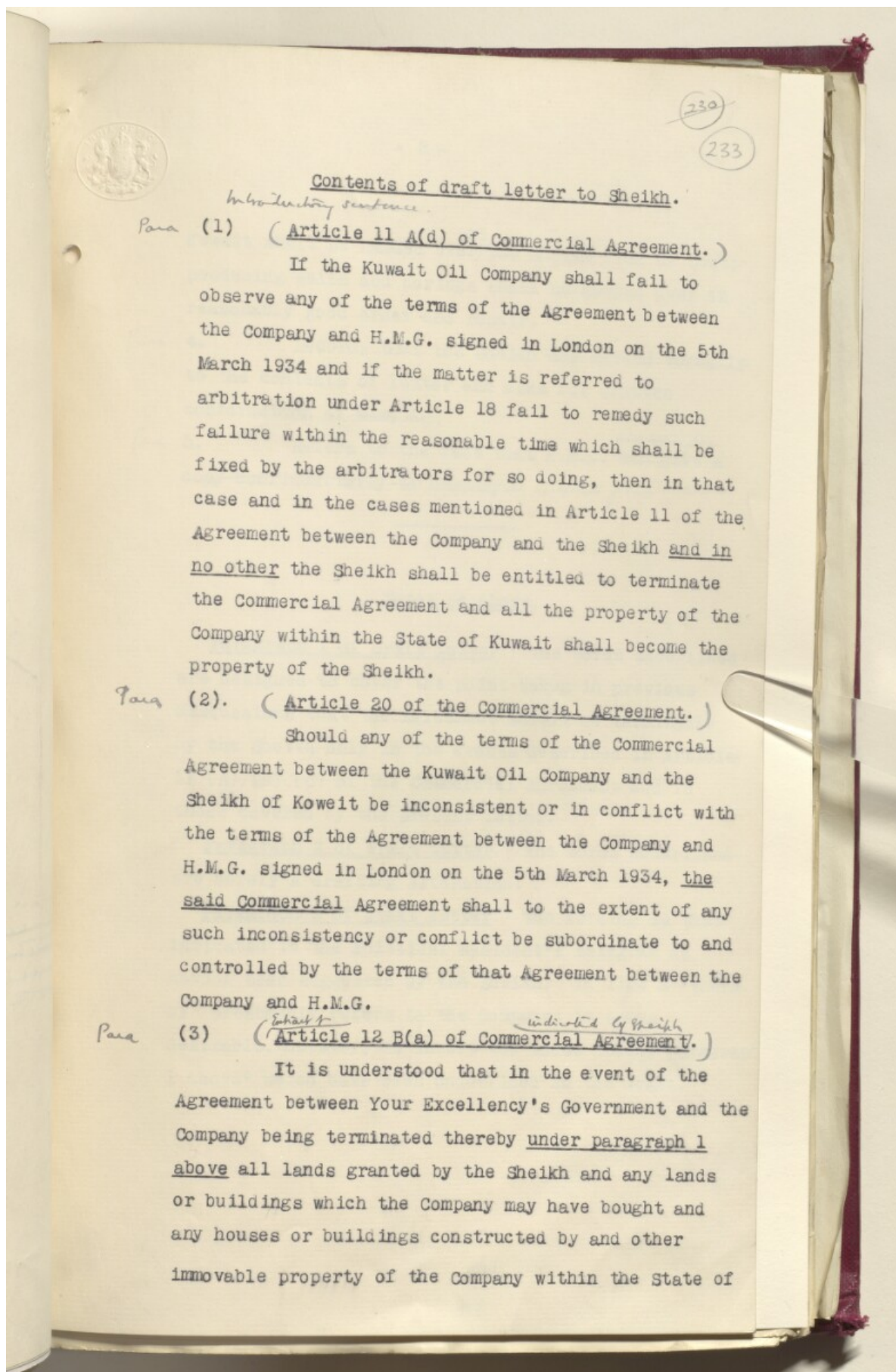
(229)
232 3.
a letter such as His Excellency suggests, a copy of which would subsequently be communicated to the Company, would not necessarily bind the Company and we are naturally anxious to have this point covered beyond question.

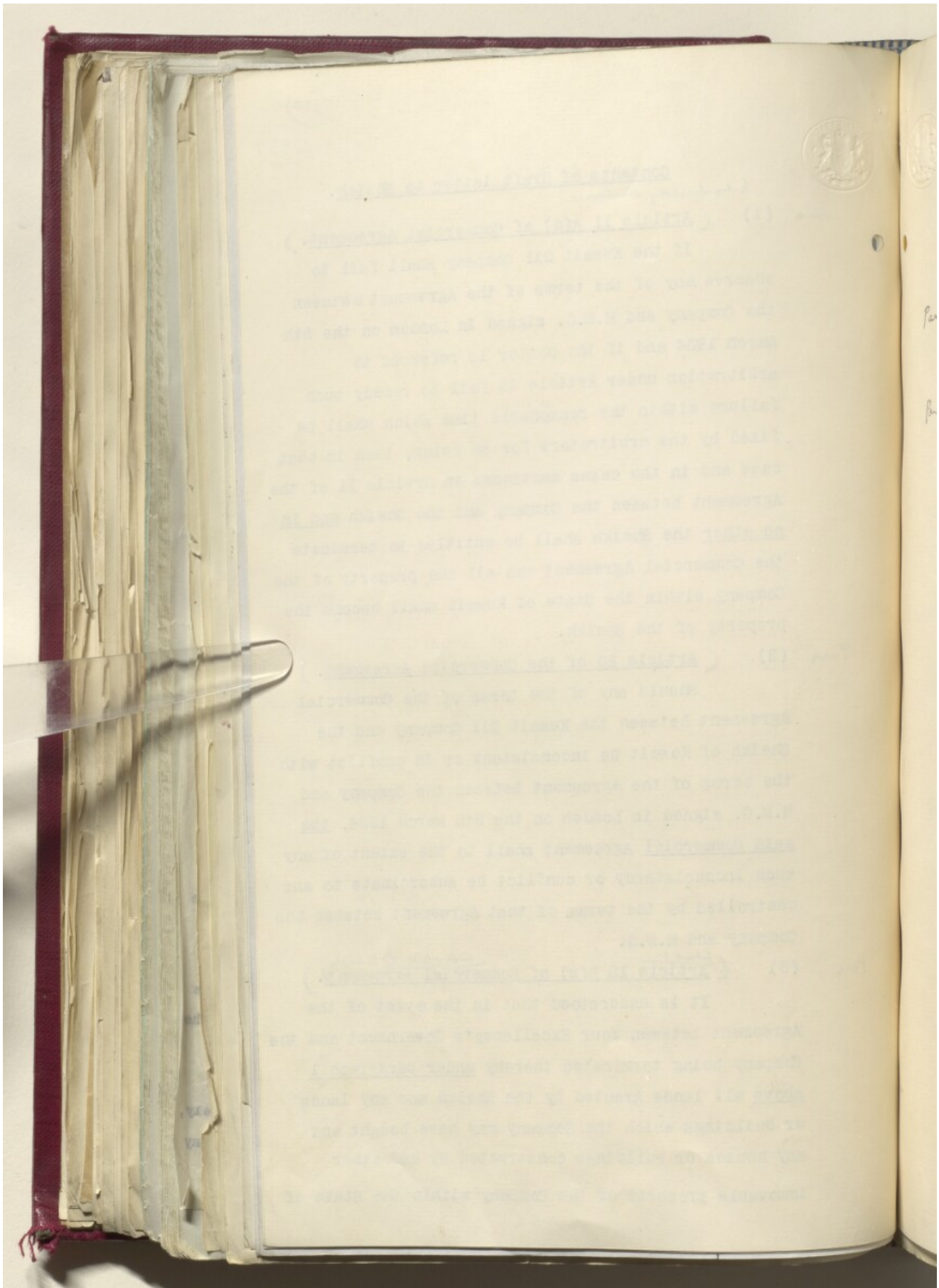
4. We suggest in these circumstances that the best course will be, if you agree, that you, in reply to my present letter, should ^{officially} intimate agreement on behalf of the Kuwait ^{oil} Company in the despatch by the Political Agent to the Sheikh of a letter on the lines ^{and in the terms} suggested, (For convenience of reference I enclose an expanded draft) and your formal readiness to accept as binding on the Company the contents of such a letter. On receipt of your agreement we would then telegraph to the Political Agent authorising him to proceed on these lines with the Sheikh, and on receipt of copies of the correspondence exchanged between him and the Sheikh would communicate them to you. The effect of the correspondence taken as a whole would be tantamount to the inclusion of the clauses in the Commercial Agreement and equally binding on the Company.

4.5 I should be grateful if you would let me know as soon as possible whether you concur in the procedure suggested. If you see any difficulty about it, I am at your disposal to talk matters over.

when you wd. reply
to the Political Agent
and referring to my
letter of 11th inst.
supra. You reply to my
letter of 11th inst.









- 2 -

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Kuwait shall be handed over ^{to} the Sheikh free of cost; producing wells and borings shall be handed over in reasonably good order and repair.

Para 4. Records that the Sheikh has agreed verbally to the contents of letter and asks for written confirmation of ~~him~~ ^{this}.

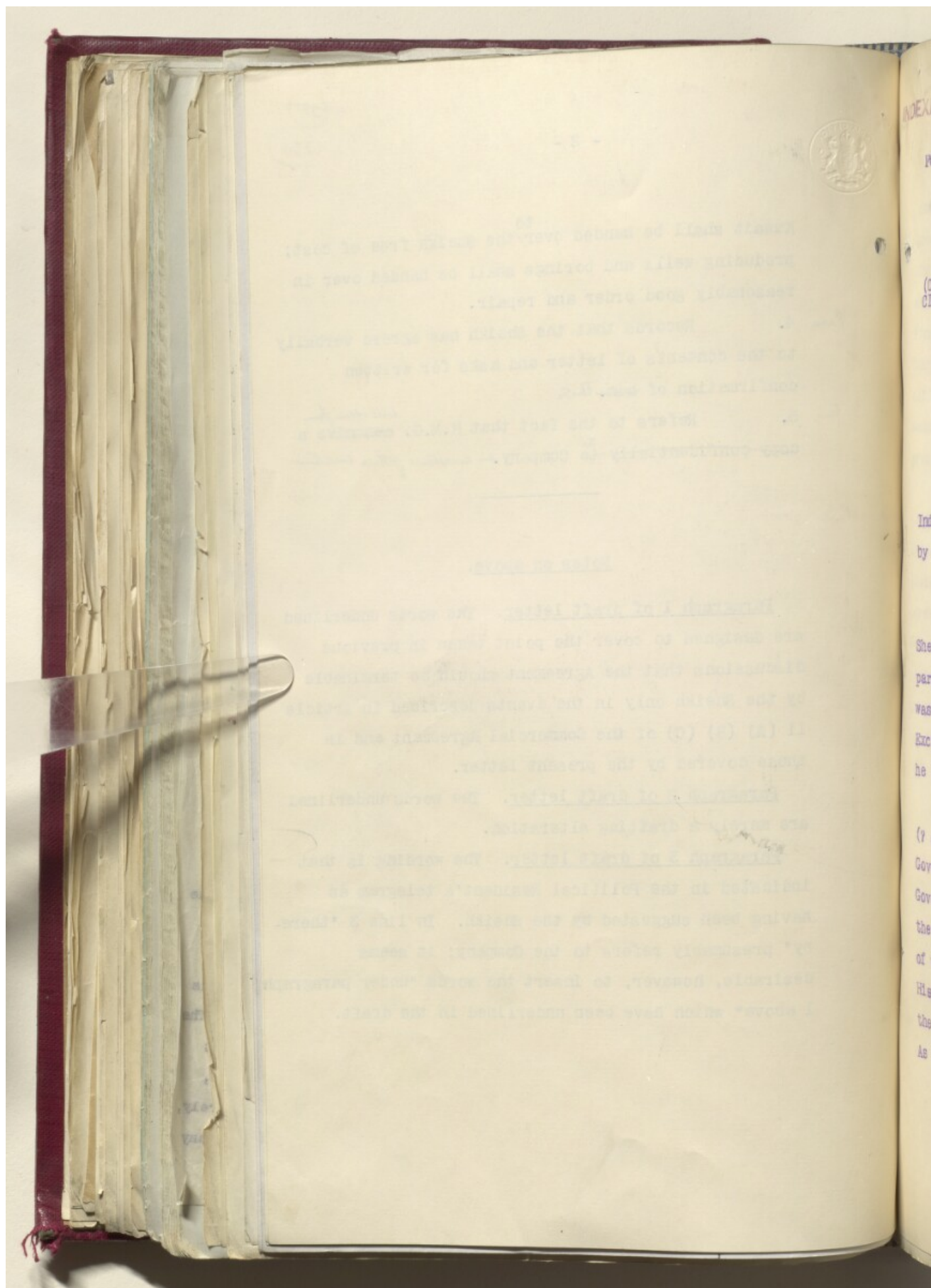
Para 5. Refers to the fact that H.M.G. ^{will obtain from} ~~can give~~ a ~~copy confidentially to~~ ^{the} Company ^{an acceptance of these conditions}.

Notes on above.

Paragraph 1 of draft letter. The words underlined are designed to cover the point taken in previous discussions that the Agreement should be terminable by the Sheikh only in the events described in Article 11 (A) (B) (C) of the Commercial Agreement and in those covered by the present letter.

Paragraph 2 of draft letter. The words underlined are merely a drafting alteration.

Paragraph 3 of draft letter. The wording is that indicated in the Political Resident's telegram as having been suggested by the Sheikh. In line 3 "thereby" presumably refers to the Company; it seems desirable, however, to insert the words "under paragraph 1 above" which have been underlined in the draft.





INDEXED

FCN/LJS/JGS/DIA.

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F.O.

let Dept

Adly

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DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED)

Dated Warship Bideford, Henjam Radio, 15th May, 1934.

Received 15th May, 1934, 11 p.m.

XXX

T.126. Addressed to Secretary of State for India, and repeated to Political Agent, Koweit, copy sent by sea mail to Government of India.

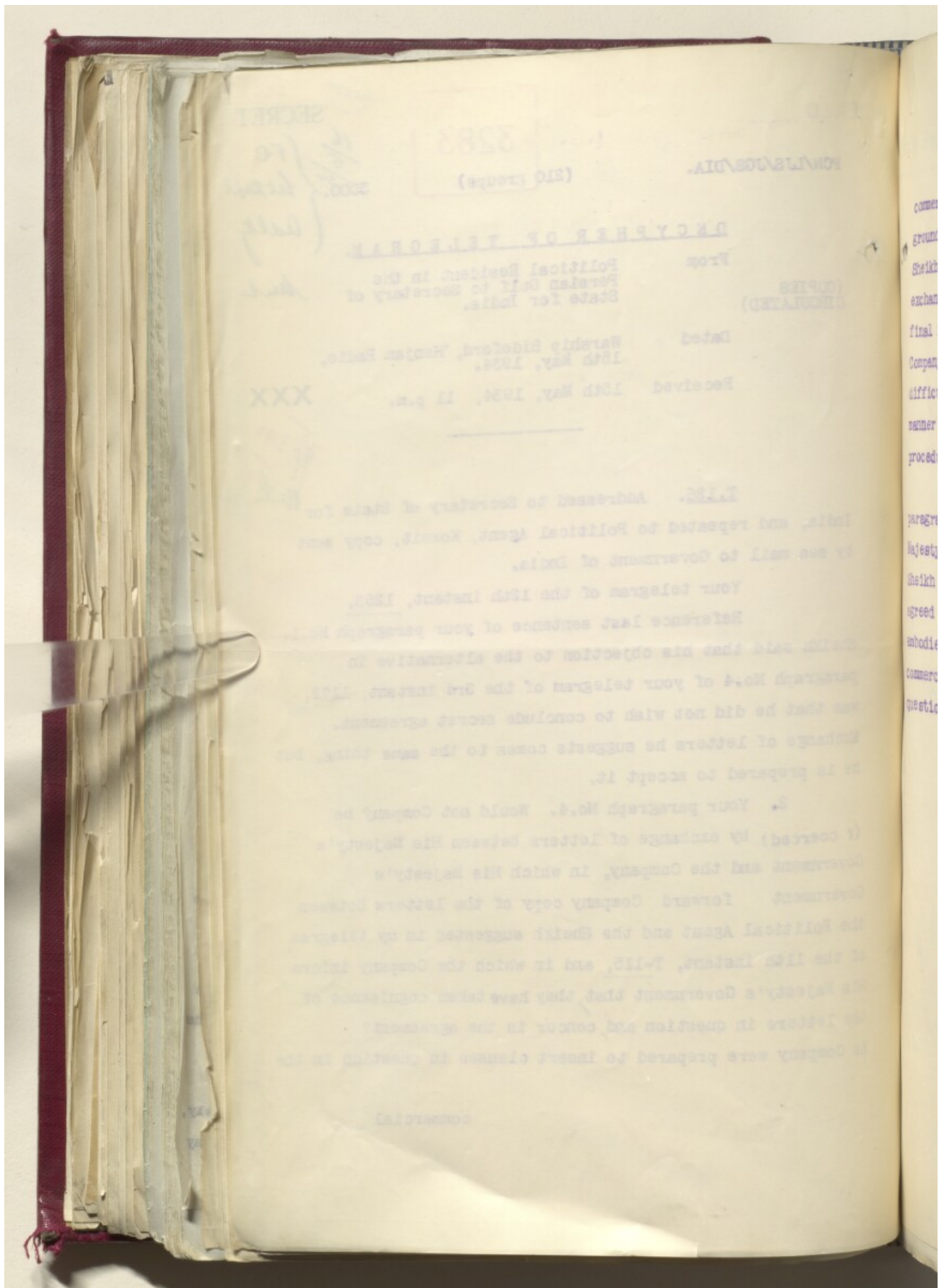
Your telegram of the 12th instant, 1253.

Reference last sentence of your paragraph No.1.

Sheikh said that his objection to the alternative in paragraph No.4 of your telegram of the 3rd instant, 1172, was that he did not wish to conclude secret agreement. Exchange of letters he suggests comes to the same thing, but he is prepared to accept it.

2. Your paragraph No.4. Would not Company be (? coerced) by exchange of letters between His Majesty's Government and the Company, in which His Majesty's Government forward Company copy of the letters between the Political Agent and the Sheikh suggested in my telegram of the 11th instant, T-115, and in which the Company inform His Majesty's Government that they have taken cognisance of the letters in question and concur in the agreement? As Company were prepared to insert clauses in question in the

commercial



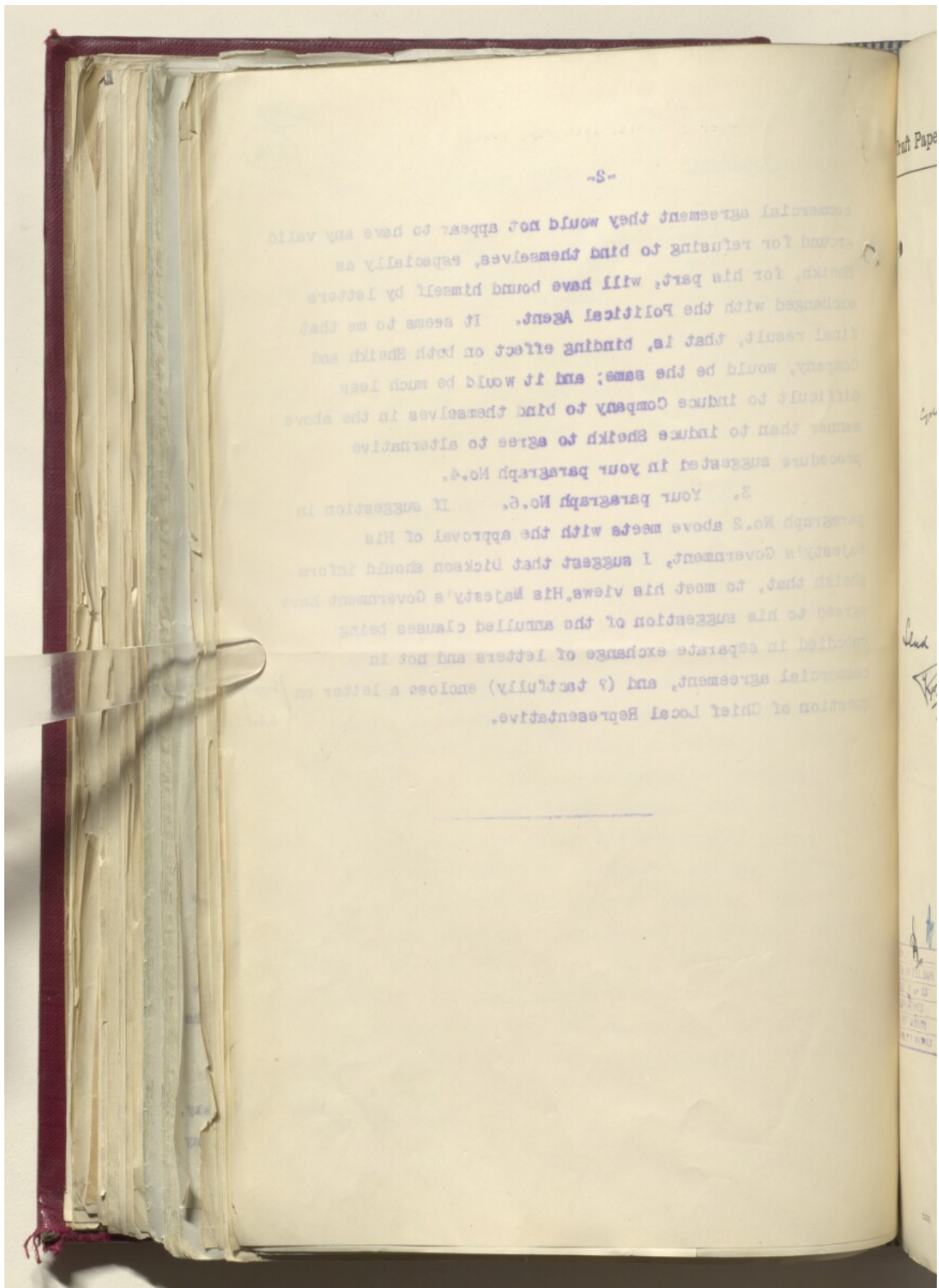


-2-

commercial agreement they would not appear to have any valid ground for refusing to bind themselves, especially as Sheikh, for his part, will have bound himself by letters exchanged with the Political Agent. It seems to me that final result, that is, binding effect on both Sheikh and Company, would be the same; and it would be much less difficult to induce Company to bind themselves in the above manner than to induce Sheikh to agree to alternative procedure suggested in your paragraph No.4.

3. Your paragraph No.6. If suggestion in paragraph No.2 above meets with the approval of His Majesty's Government, I suggest that Dickson should inform Sheikh that, to meet his views, His Majesty's Government have agreed to his suggestion of the annulled clauses being embodied in separate exchange of letters and not in commercial agreement, and (? tactfully) enclose a letter on question of Chief Local Representative.

signing
what?





1/15/24
6/11/24

P.2. 3192
34

(234)
(237)

Draft Paper. Department.

DRAFT TELEGRAM:

From S. of S. to Political Resident in the Persian Gulf, *Koweit Oil Co. No. 1253*
Repeated to G. of I., P. & P. Dept.,
Pd. Arab Kuwait 12/5/24

Cyprus xxx
First 02/2/24
1st time distributed 12/5/24

Your telegram 11th May, T. 115.

Control clauses in draft agreement with Koweit Oil Coy. I understood from para. 6 of Dickson's express letter of 24th April that Sheikh merely feared effect of publicity. Alternatives in my telegram 1172 were designed to meet this objection, which I should have thought would be entirely overcome at any rate by alternative in para. 4 of that telegram, since separate agreement there suggested would be kept entirely secret. I should be glad if you could telegraph more fully Sheikh's present attitude, if he has shifted his ground.

2. Sheikh may be under some misapprehension as to Clause 20, purpose of which is merely to remove technical inconsistencies between commercial and political agreements. For example, Clauses 14, 18, 5(A) and 5(B) of original draft commercial agreement are affected by Articles 2, 3 (second sub-para.), 6 and 7 respectively of the political agreement. Last two cases provide additional safeguards to the Sheikh.

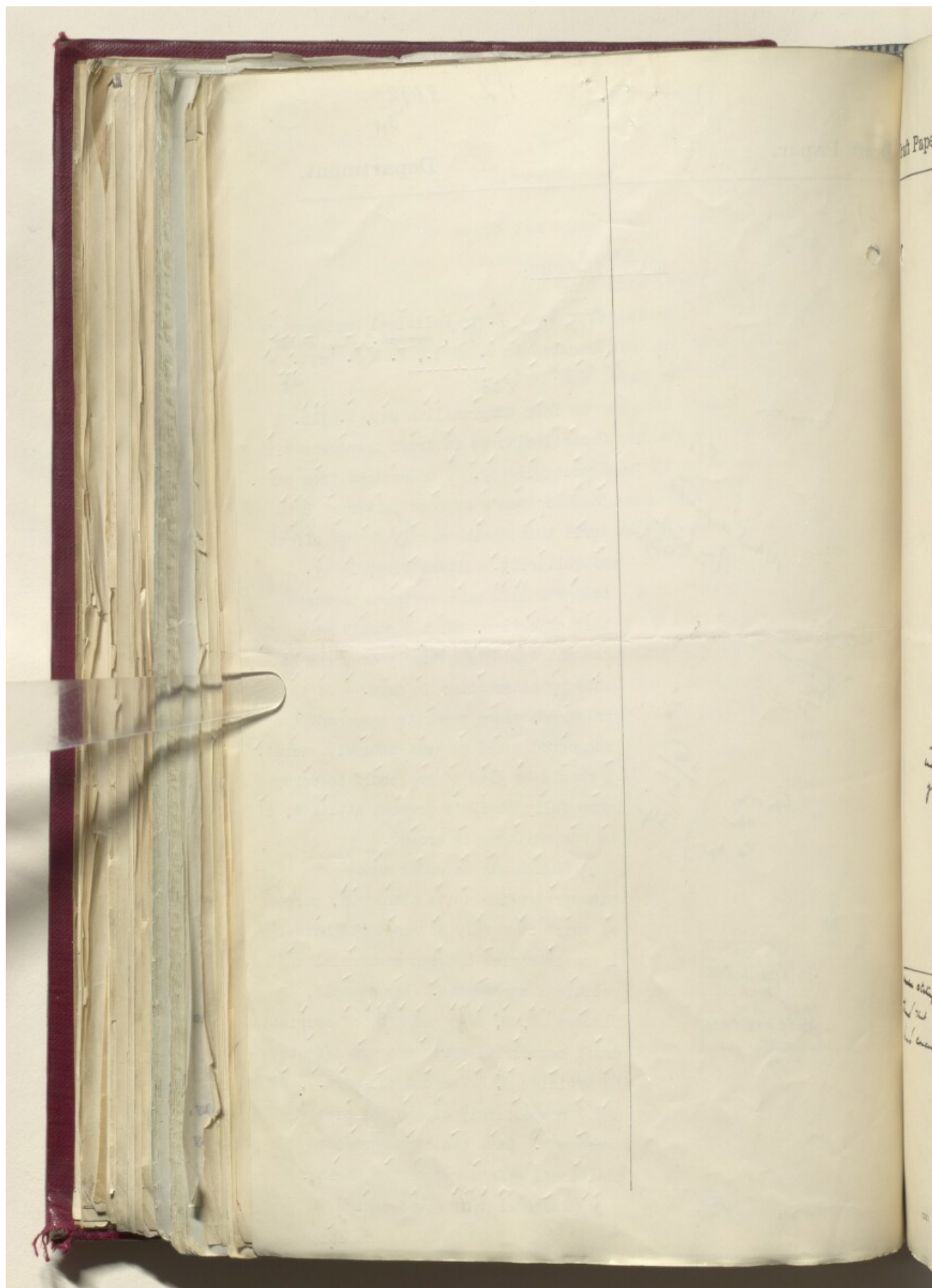
3. Clause 11 A(d) gives Sheikh additional/

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12/5

15/5/24
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SEEN ON	DATE	TIME
TECH. INTEL. DIV.	12/5/24	2.5 PM
CODE X or XX	XXX	
REPAIRED	12/5	3.40 PM
NO. OF WORDS	348 + 348 + 350	
ENCL. & INITIALS		

2551 5600 2.34





Draft Paper.

Department.

additional power to terminate the agreement in circumstances not otherwise provided. It is clear that this would fall to the ground unless agreed to in some form by the Coy.

Alternative procedure now suggested by Sheikh does not seem adequate as the suggestion stands, ^{since} letter from Political Agent would clearly not bind the Coy. If, however, Sheikh prefers that control clauses should be covered by exchange of letters instead of by separate agreement, we might consider adopting following procedure: Coy. to address to Sheikh and Political Resident identical letters on lines which you have drafted which could also state, if this is thought desirable, that Sheikh concurs in, or has no objection to, or has cognisance of, the political agreement. Sheikh would acknowledge Coy.'s letter and inform Political Resident that he had done so.

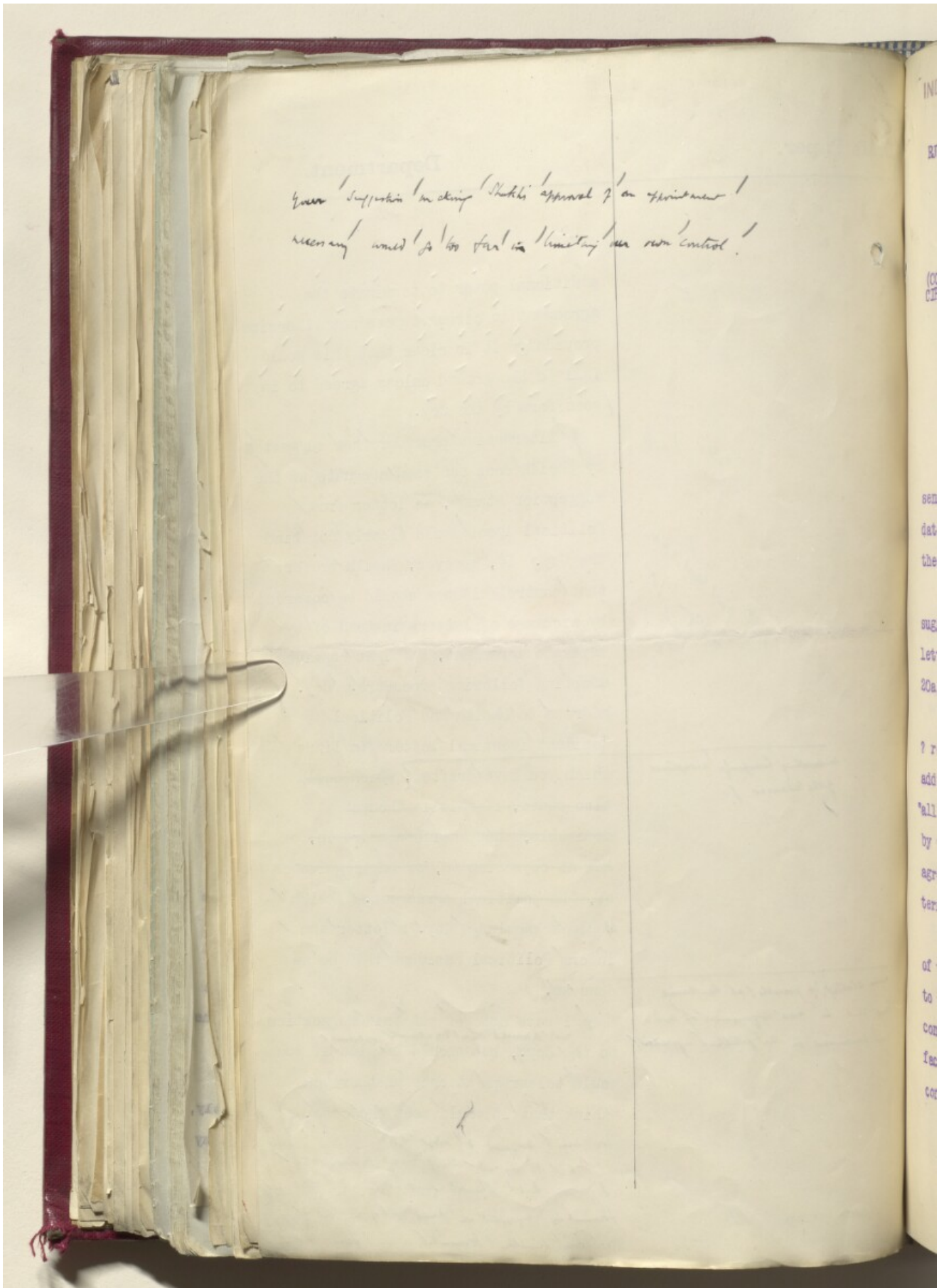
5. I have not yet put this suggestion to the Coy. but should be glad if you would telegraph at once whether you think that it would meet the case, if we were prepared to adopt it.

6. As regards Chief Local Representation I hope that Sheikh will agree to one of the formulae suggested in para 5 of my letter 11/12 or some similar formula. I have the

indicating Company acceptance of the clause /

under stating, if possible, at the same time that he has cognisance of and has concurred in the political agreement.

2331 5000 2.34



your 'suggestion' in doing 'Shah's' approval of an agreement!
necessarily would be 'as far as' limiting 'our own control'!



INDEXED

FILE COPY (239) (236)

P. Z.
3192
1934

SECRET

RJR/DIA. (134 groups)

2935. 7.0. 12/5/34
Adm. Secy.
Ref. Secy.
P.B. on file
(Ind. Secy.)
12/5/34

DECYPHER OF TELEGRAM.

From Political Resident in the Persian Gulf to Secretary of State for India.

(COPIES CIRCULATED)

Dated Kuwait, 11th May, 1934.

Received 11th May, 1934, 6 p.m.

XXX

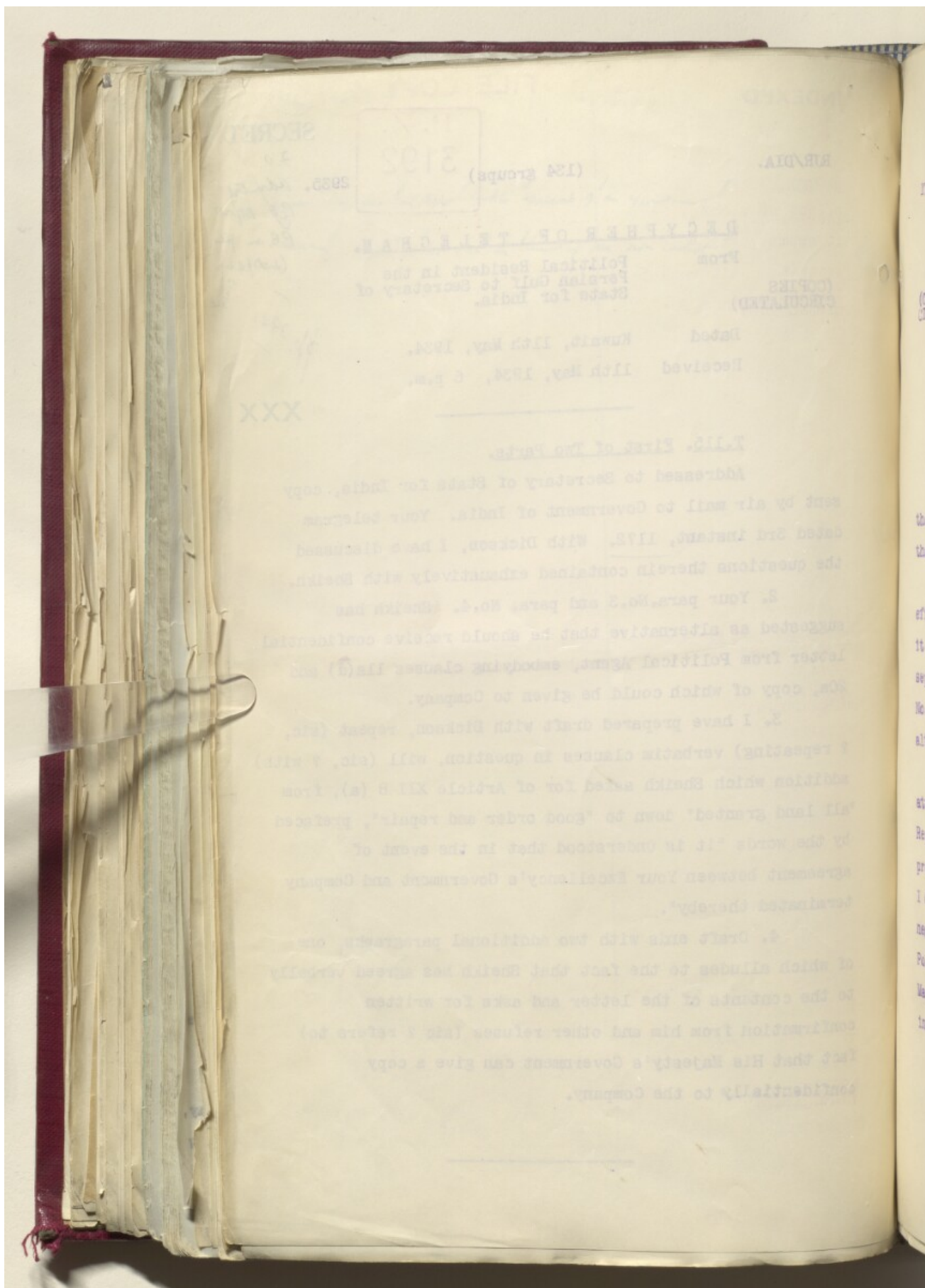
T.115. First of Two Parts.

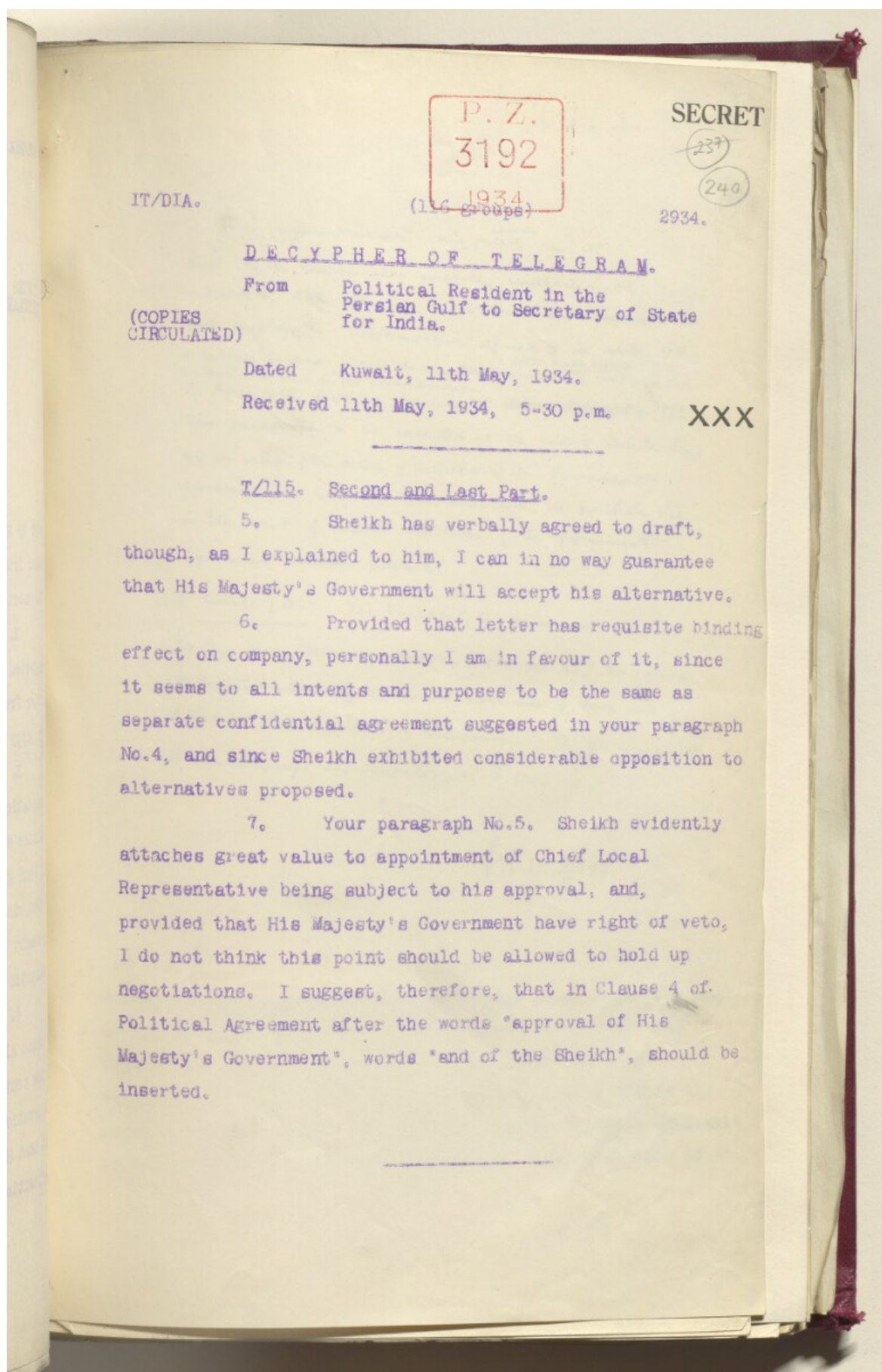
Addressed to Secretary of State for India, copy sent by air mail to Government of India. Your telegram dated 3rd instant, 1172. With Dickson, I have discussed the questions therein contained exhaustively with Sheikh.

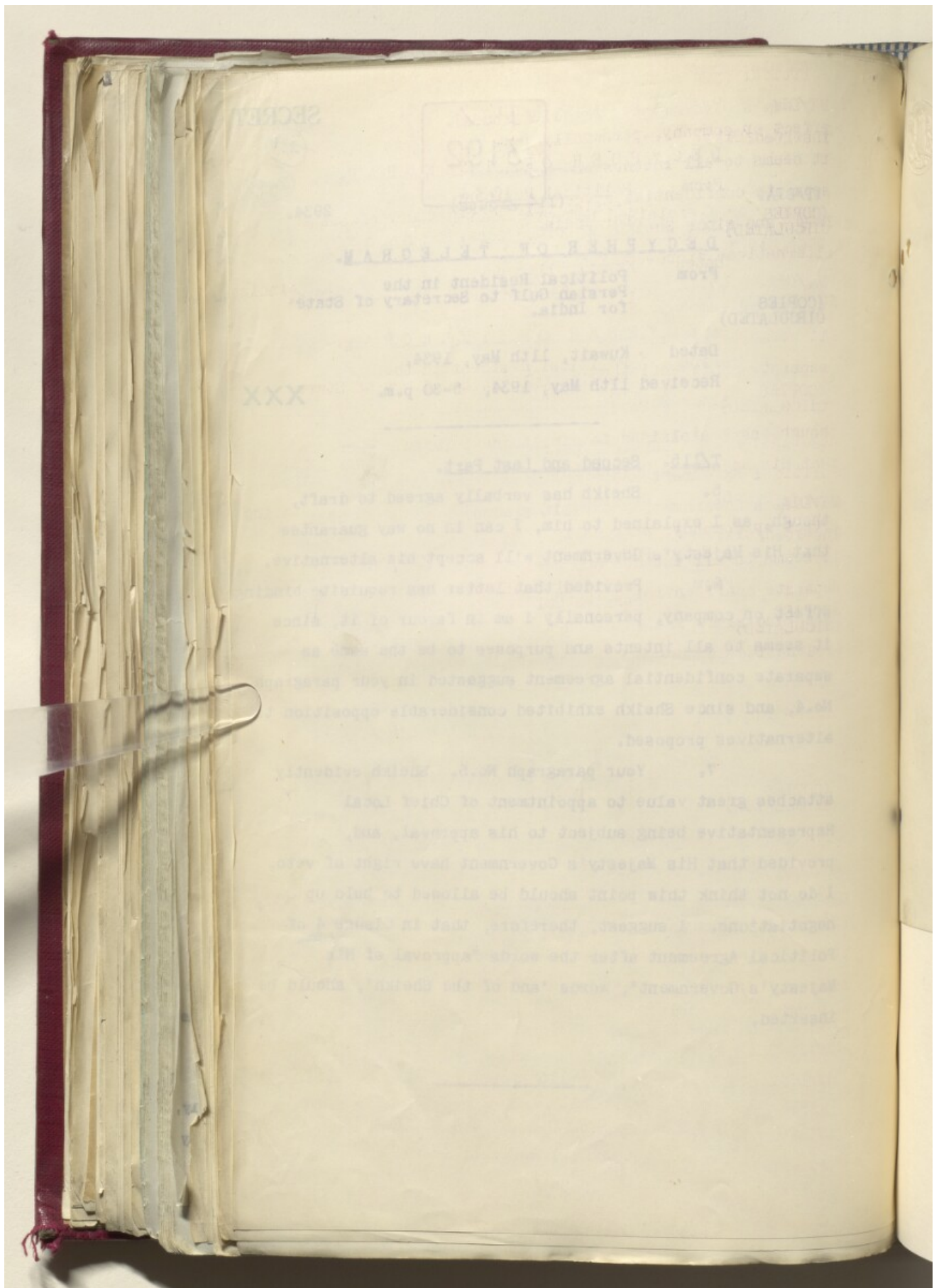
2. Your para.No.3 and para. No.4. Sheikh has suggested as alternative that he should receive confidential letter from Political Agent, embodying clauses 11a(d) and 20a, copy of which could be given to Company.

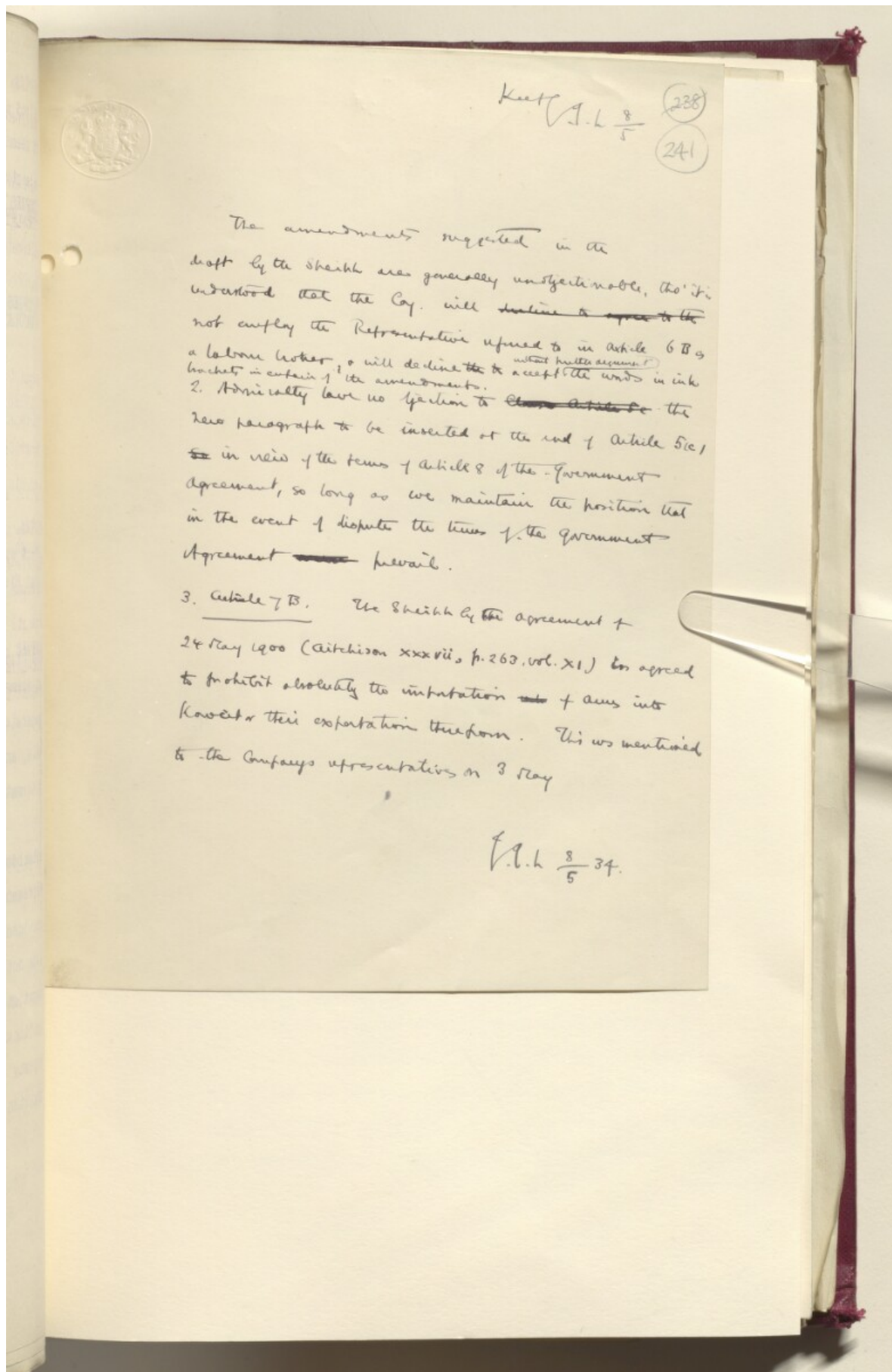
3. I have prepared draft with Dickson, repeat (sic, ? repeating) verbatim clauses in question, will (sic, ? with addition which Sheikh asked for of Article XII B (a), from "all land granted" down to "good order and repair", prefaced by the words "it is understood that in the event of agreement between Your Excellency's Government and Company terminated thereby".

4. Draft ends with two additional paragraphs, one of which alludes to the fact that Sheikh has agreed verbally to the contents of the letter and asks for written confirmation from him and other refuses (sic ? refers to) fact that His Majesty's Government can give a copy confidentially to the Company.







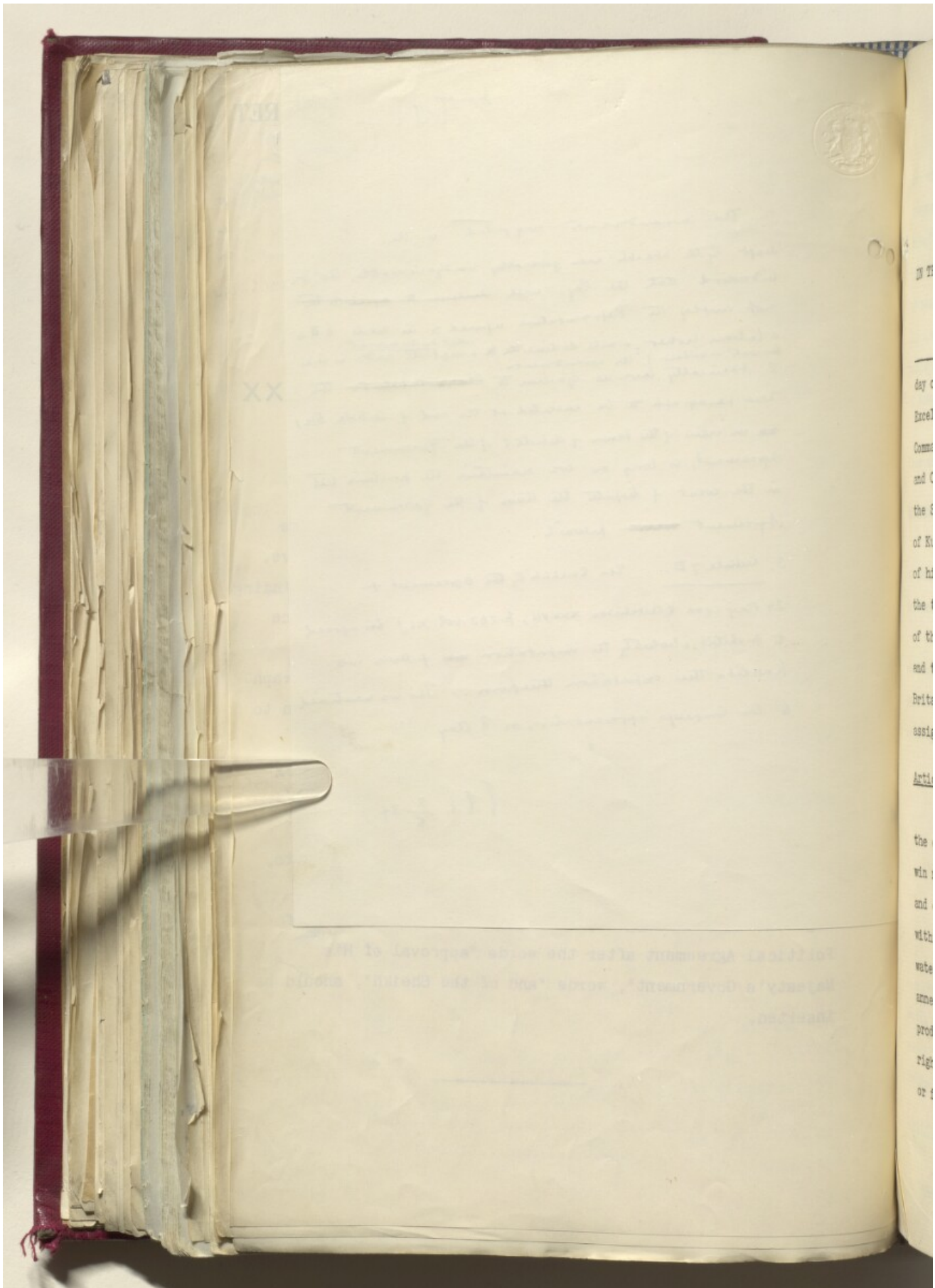


The amendments suggested in the draft by the Sheikh are generally unsatisfactory, tho' it is understood that the Coy. will decline to agree to the not employ the Representative referred to in Article 6B as a labour broker & will decline ^{without further argument} to accept the words in ink bracketed in certain of its amendments.

2. Admirably have no objection to ~~the~~ ^{the} new paragraph to be inserted at the end of Article 5(c) ~~in~~ in view of the terms of Article 8 of the Government Agreement, so long as we maintain the position that in the event of dispute the terms of the Government Agreement ~~shall~~ prevail.

3. Article 7B. The Sheikh by the agreement of 24 May 1900 (Aitchison xxxvii, p. 263, vol. XI) has agreed to prohibit absolutely the importation ~~and~~ of arms into Koweit & their exportation therefrom. This was mentioned to the Company's representatives on 3 May

V.L.H. 8/5 34.





Amended 28th May 1934.

(5th March, 1934.)

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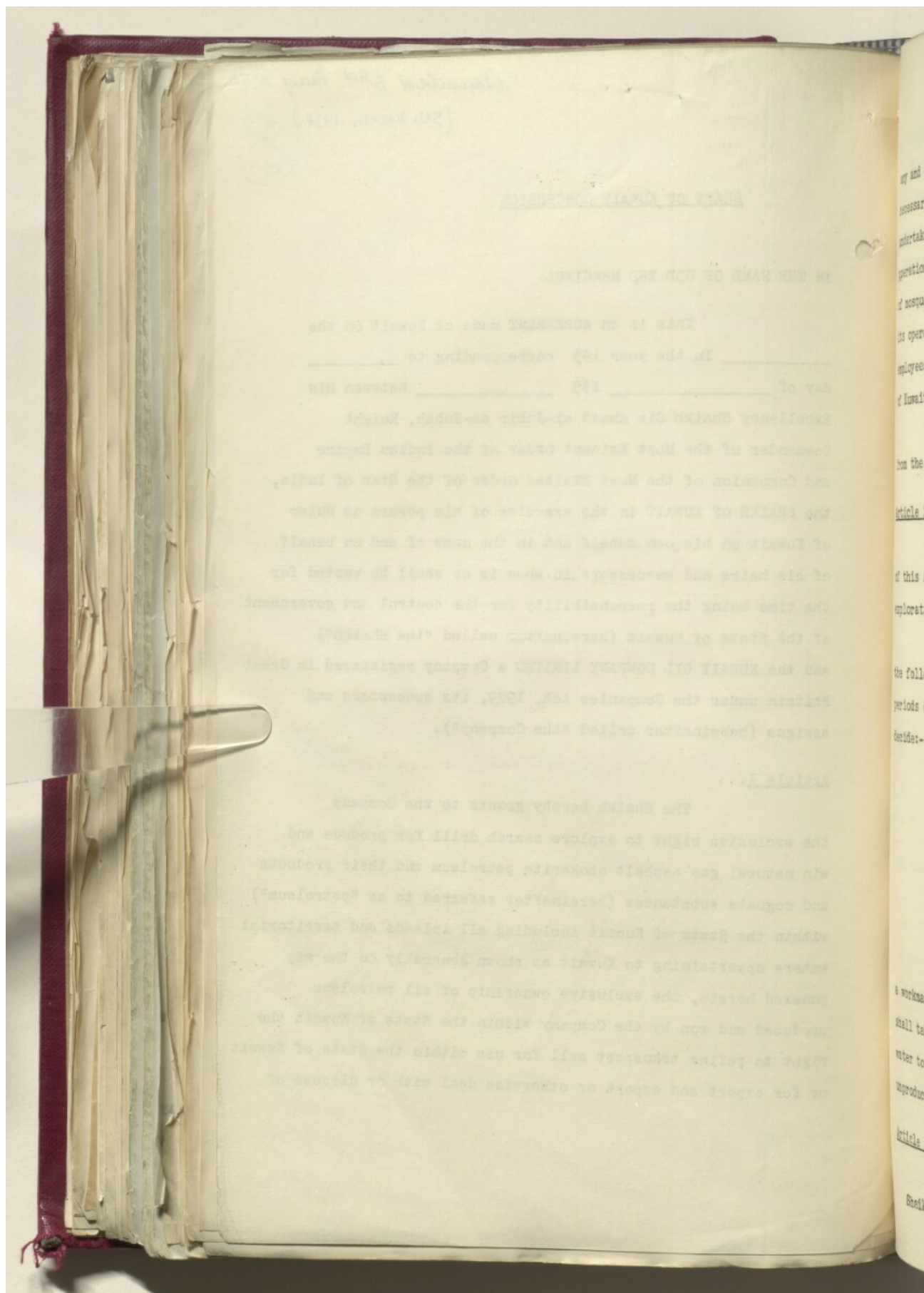
DRAFT OF KUWAIT CONCESSION

IN THE NAME OF GOD THE MERCIFUL

This is an AGREEMENT made at Kuwait on the _____ in the year 193 corresponding to _____ day of _____ 135 _____ between His Excellency Shaikh Sir Ahmad al-Jabir as-Subah, Knight Commander of the Most Eminent Order of the Indian Empire and Companion of the Most Exalted Order of the Star of India, the SHAIKH OF KUWAIT in the exercise of his powers as Ruler of Kuwait on his own behalf and in the name of and on behalf of his heirs and successors in whom is or shall be vested for the time being the responsibility for the control and government of the State of Kuwait (hereinafter called "the Shaikh") and the KUWAIT OIL COMPANY LIMITED a Company registered in Great Britain under the Companies Act, 1929, its successors and assigns (hereinafter called "the Company").

Article 1.

The Shaikh hereby grants to the Company the exclusive right to explore search drill for produce and win natural gas asphalt ozokerite petroleum and their products and cognate substances (hereinafter referred to as "petroleum") within the State of Kuwait including all islands and territorial waters appertaining to Kuwait as shown generally on the map annexed hereto, the exclusive ownership of all petroleum produced and won by the Company within the State of Kuwait the right to refine transport sell for use within the State of Kuwait or for export and export or otherwise deal with or dispose of





2.

any and all such petroleum and the right to do all things necessary for the purposes of those operations. The Company undertakes however that it will not carry on any of its operations within areas occupied by or devoted to the purposes of mosques sacred buildings or graveyards or carry on any of its operations except the sale of petroleum housing of staff and employees and administrative work within the present town wall of Kuwait.

The period of this Agreement shall be 75 years from the date of signature.

Article 2.

(A) Within nine months from the date of signature of this Agreement the Company shall commence geological exploration.

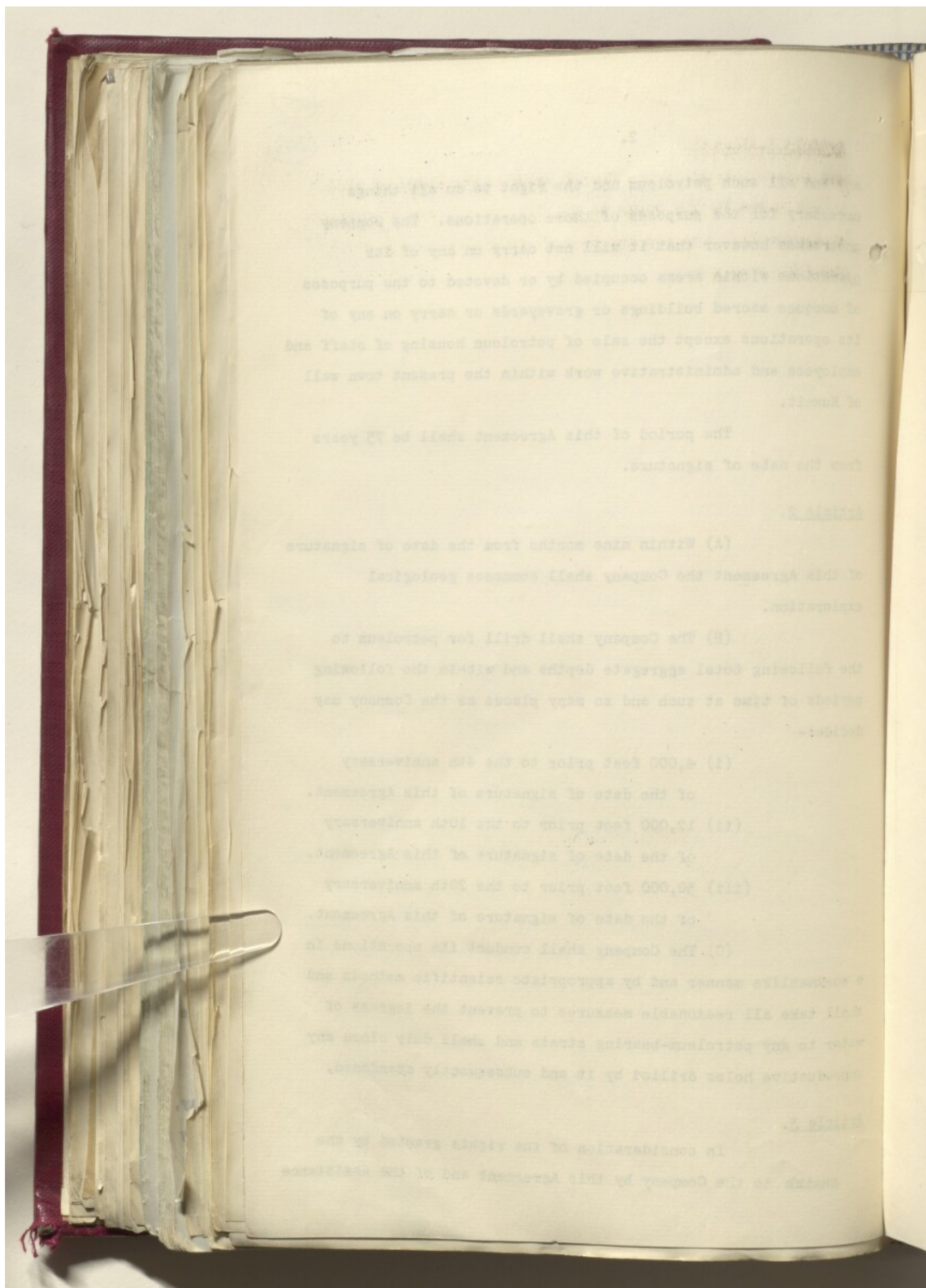
(B) The Company shall drill for petroleum to the following total aggregate depths and within the following periods of time at such and so many places as the Company may decide:-

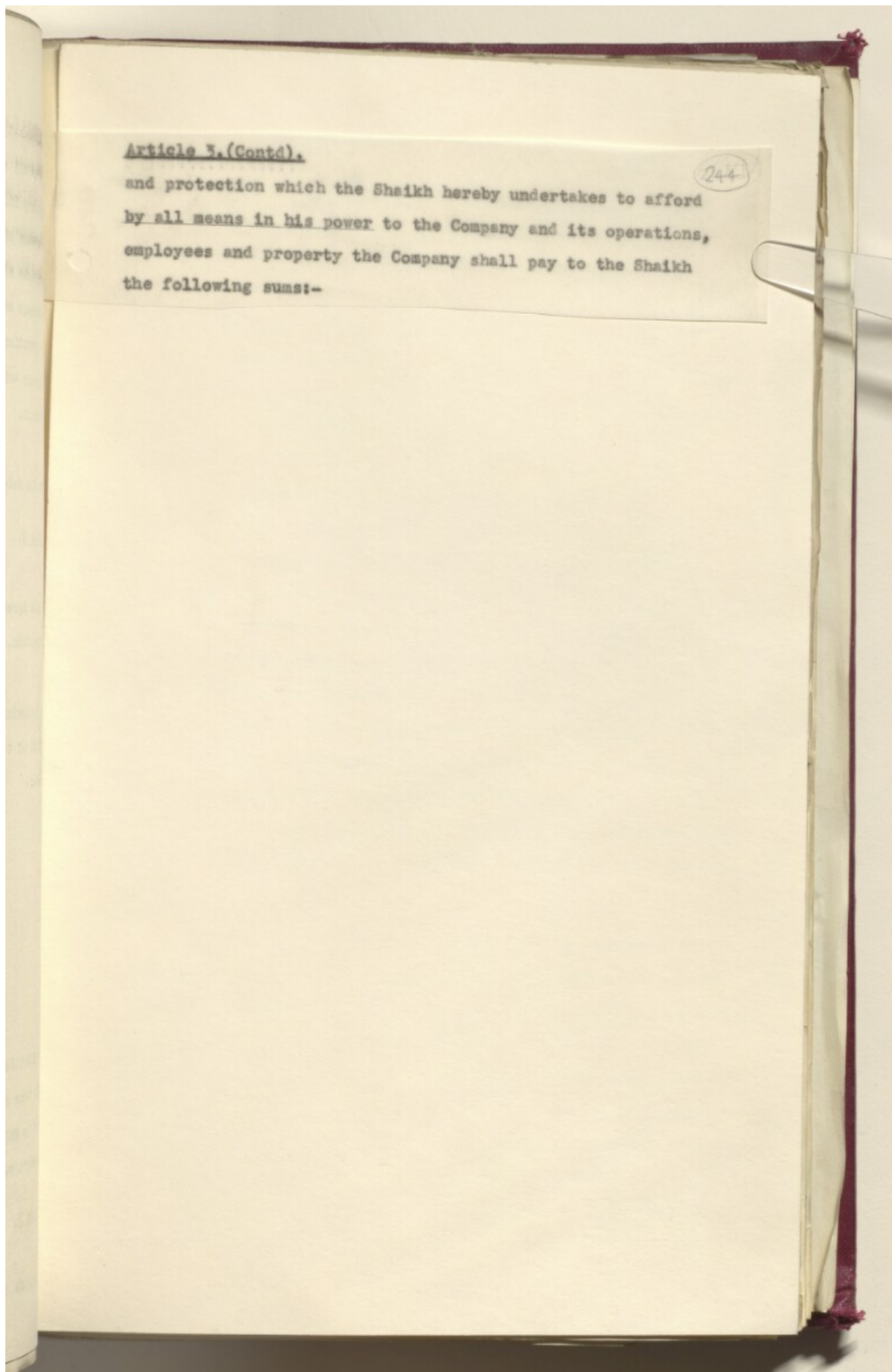
- (i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.
- (ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.
- (iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

(C) The Company shall conduct its operations in a workmanlike manner and by appropriate scientific methods and shall take all reasonable measures to prevent the ingress of water to any petroleum-bearing strata and shall duly close any unproductive holes drilled by it and subsequently abandoned.

Article 3.

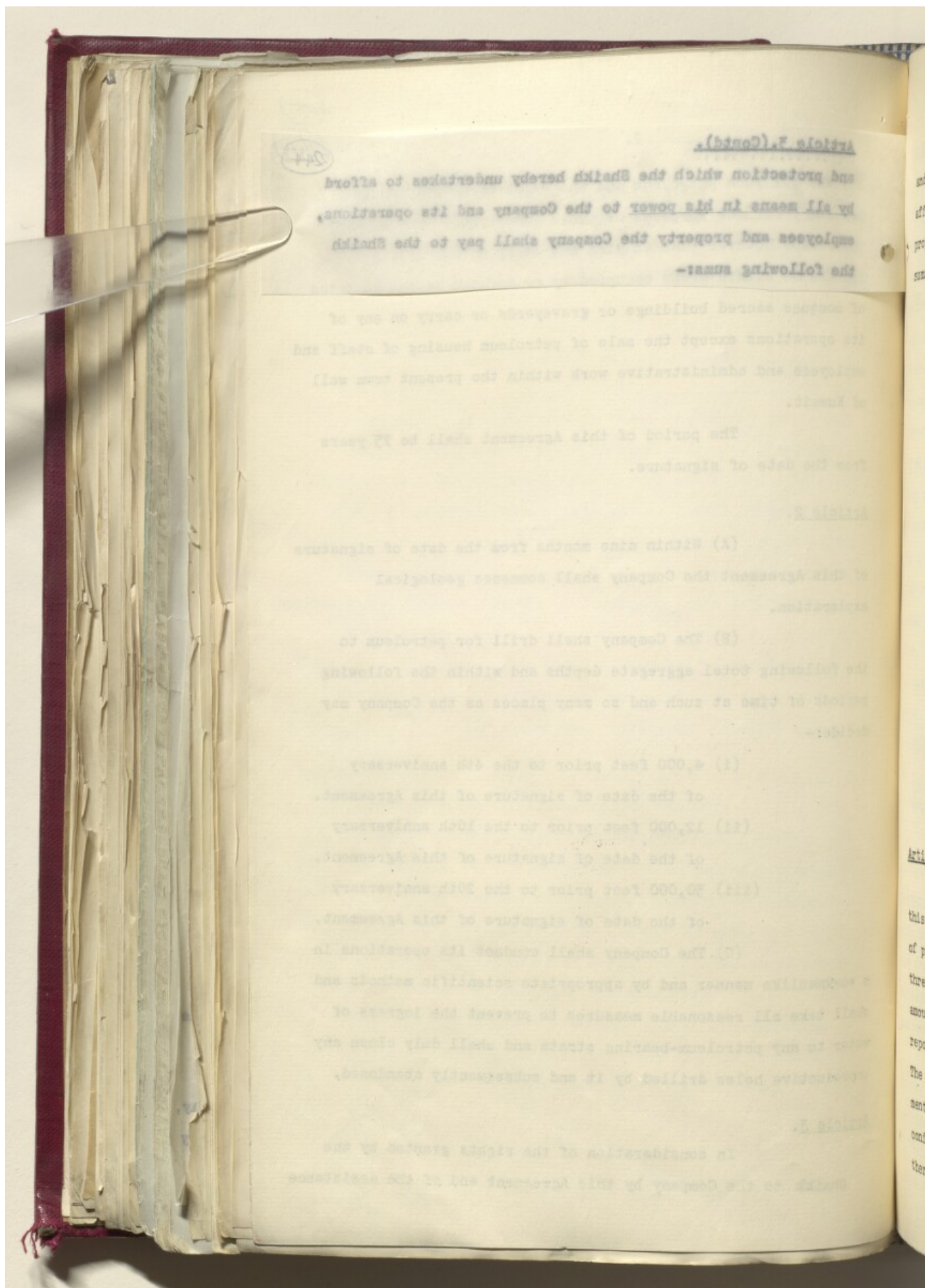
In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance





Article 3. (Contd.).

and protection which the Shaikh hereby undertakes to afford
by all means in his power to the Company and its operations,
employees and property the Company shall pay to the Shaikh
the following sums:-





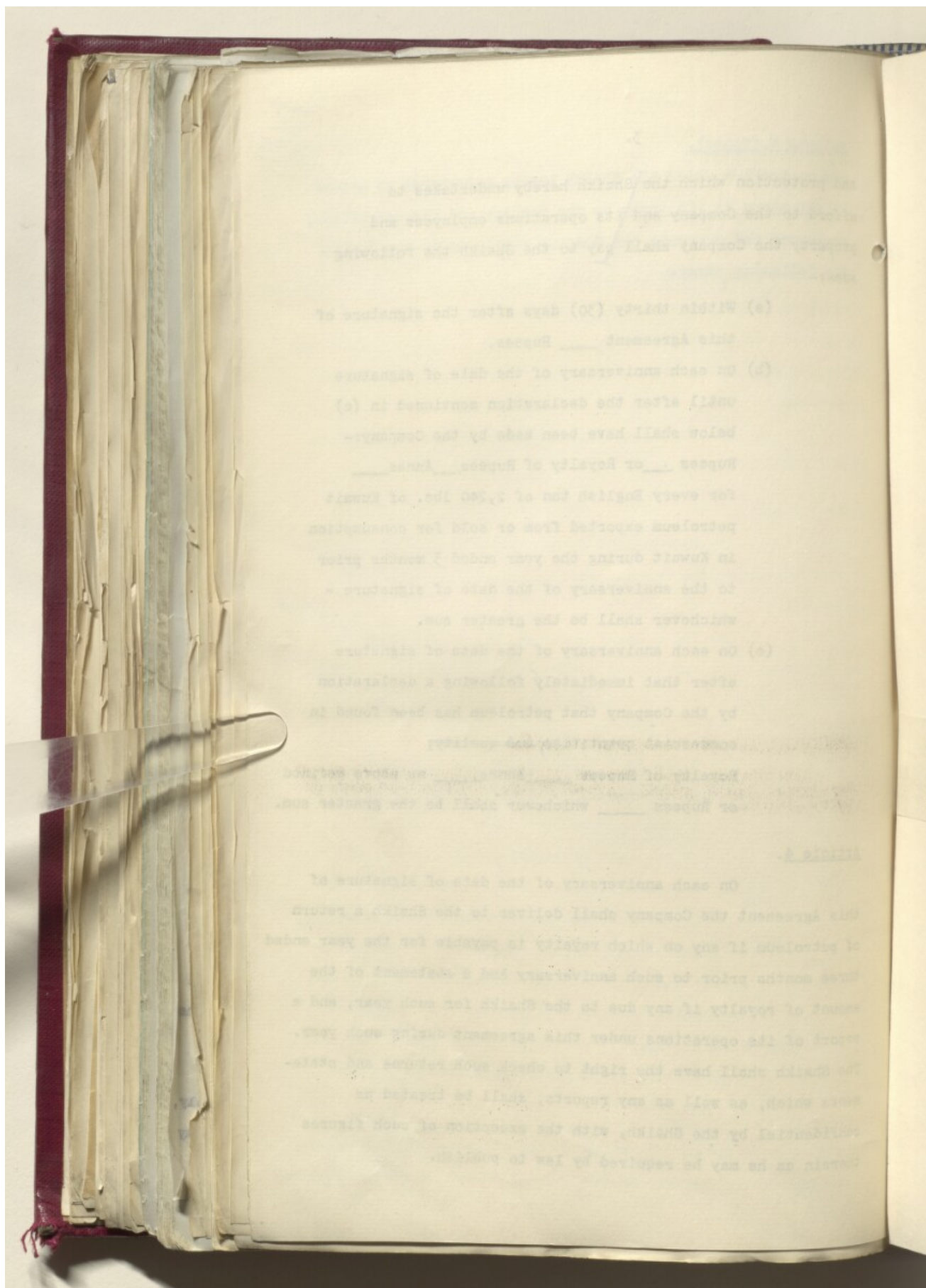
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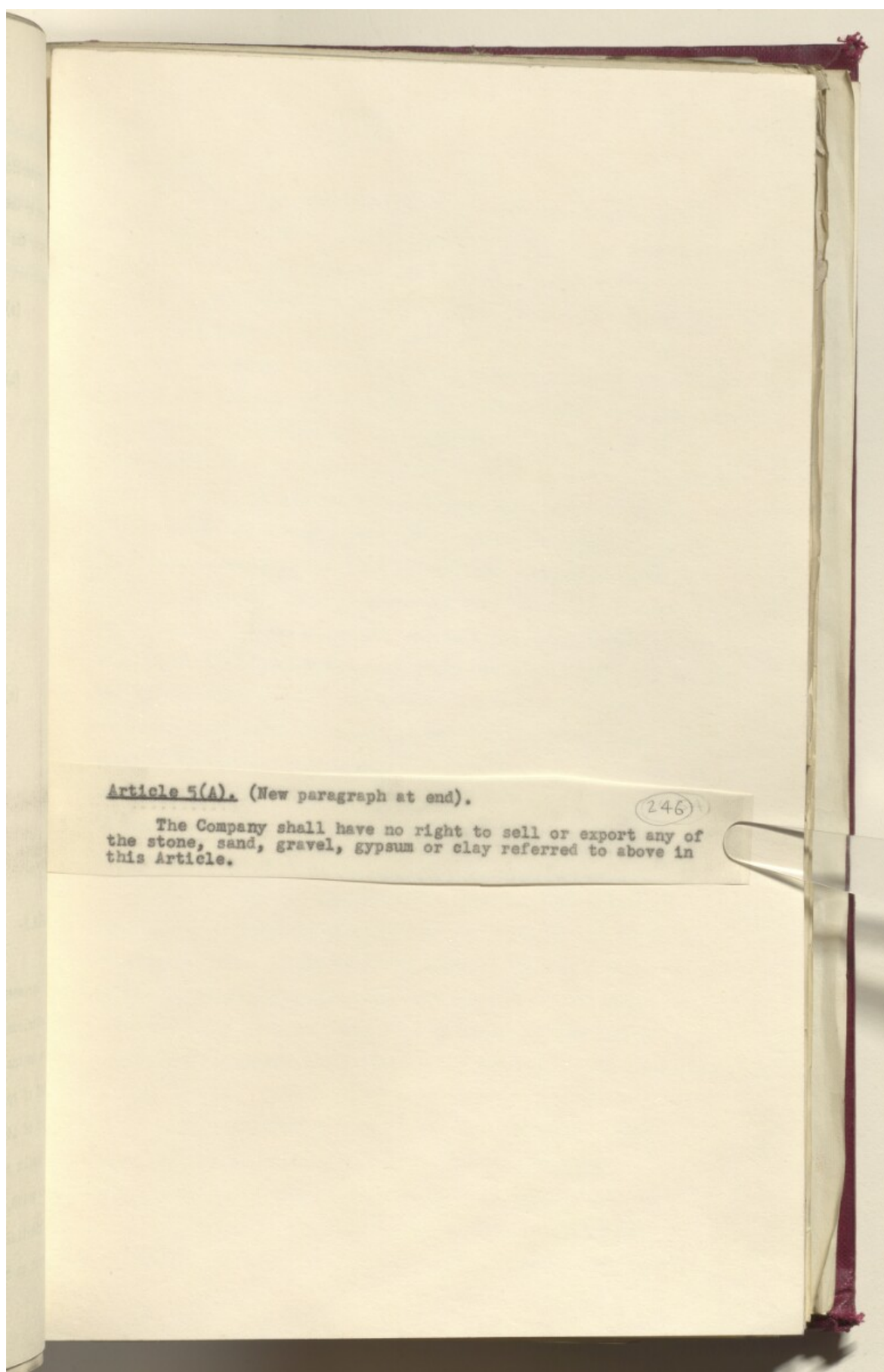
and protection which the Shaikh hereby undertakes to afford to the Company and its operations employees and property the Company shall pay to the Shaikh the following sums:-

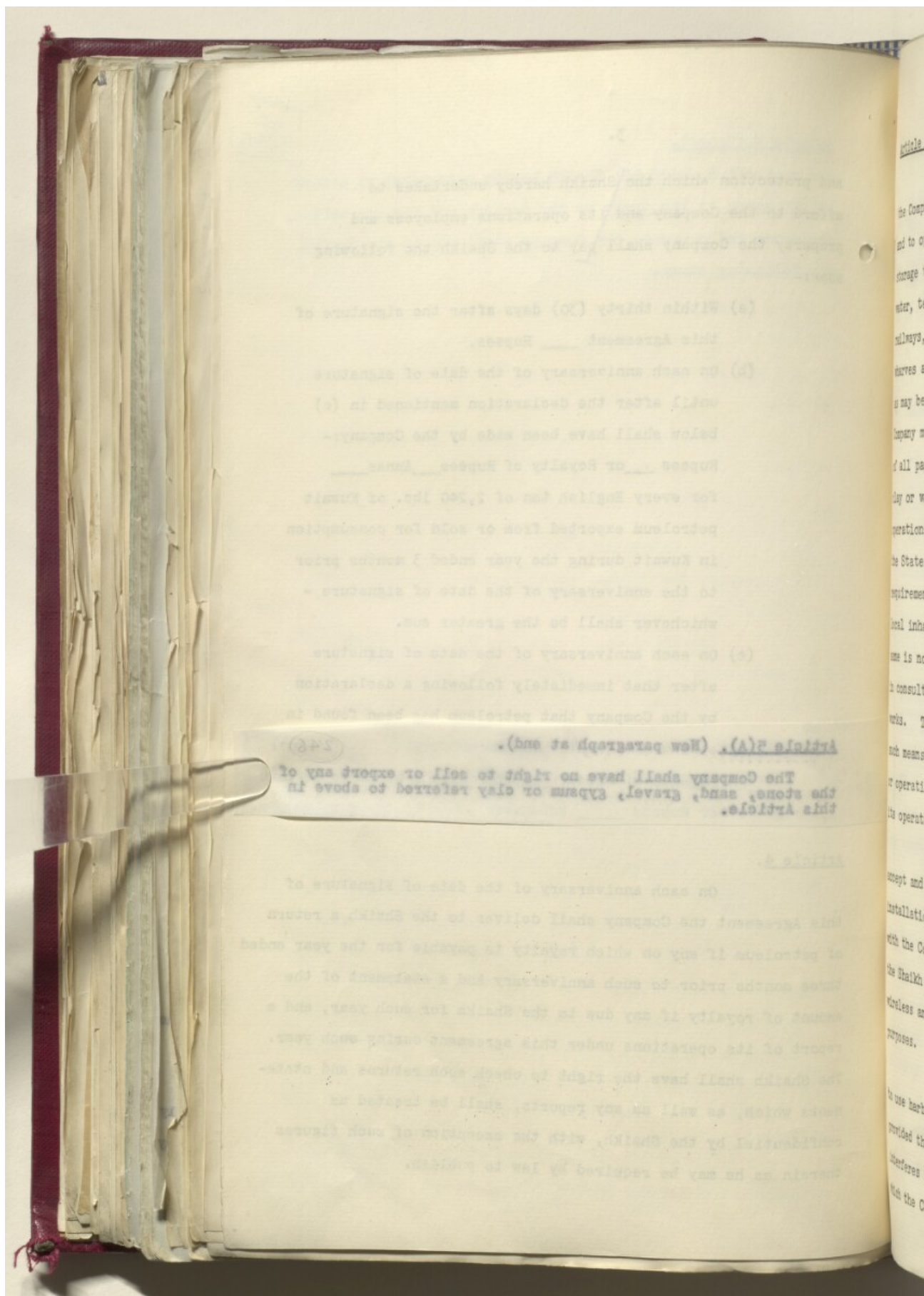
- (a) Within thirty (30) days after the signature of this Agreement ____ Rupees.
- (b) On each anniversary of the date of signature until after the declaration mentioned in (c) below shall have been made by the Company:-
Rupees ____ or Royalty of Rupees ____ Annas ____
for every English ton of 2,240 lbs. of Kuwait petroleum exported from or sold for consumption in Kuwait during the year ended 3 months prior to the anniversary of the date of signature - whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after that immediately following a declaration by the Company that petroleum has been found in commercial quantities; ~~and quality;~~
Royalty of Rupees ____ Annas ____ as above defined or Rupees ____ whichever shall be the greater sum.

Article 4.

On each anniversary of the date of signature of this Agreement the Company shall deliver to the Shaikh a return of petroleum if any on which royalty is payable for the year ended three months prior to such anniversary and a statement of the amount of royalty if any due to the Shaikh for such year, and a report of its operations under this agreement during such year. The Shaikh shall have the right to check such returns and statements which, as well as any reports, shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may be required by law to publish.









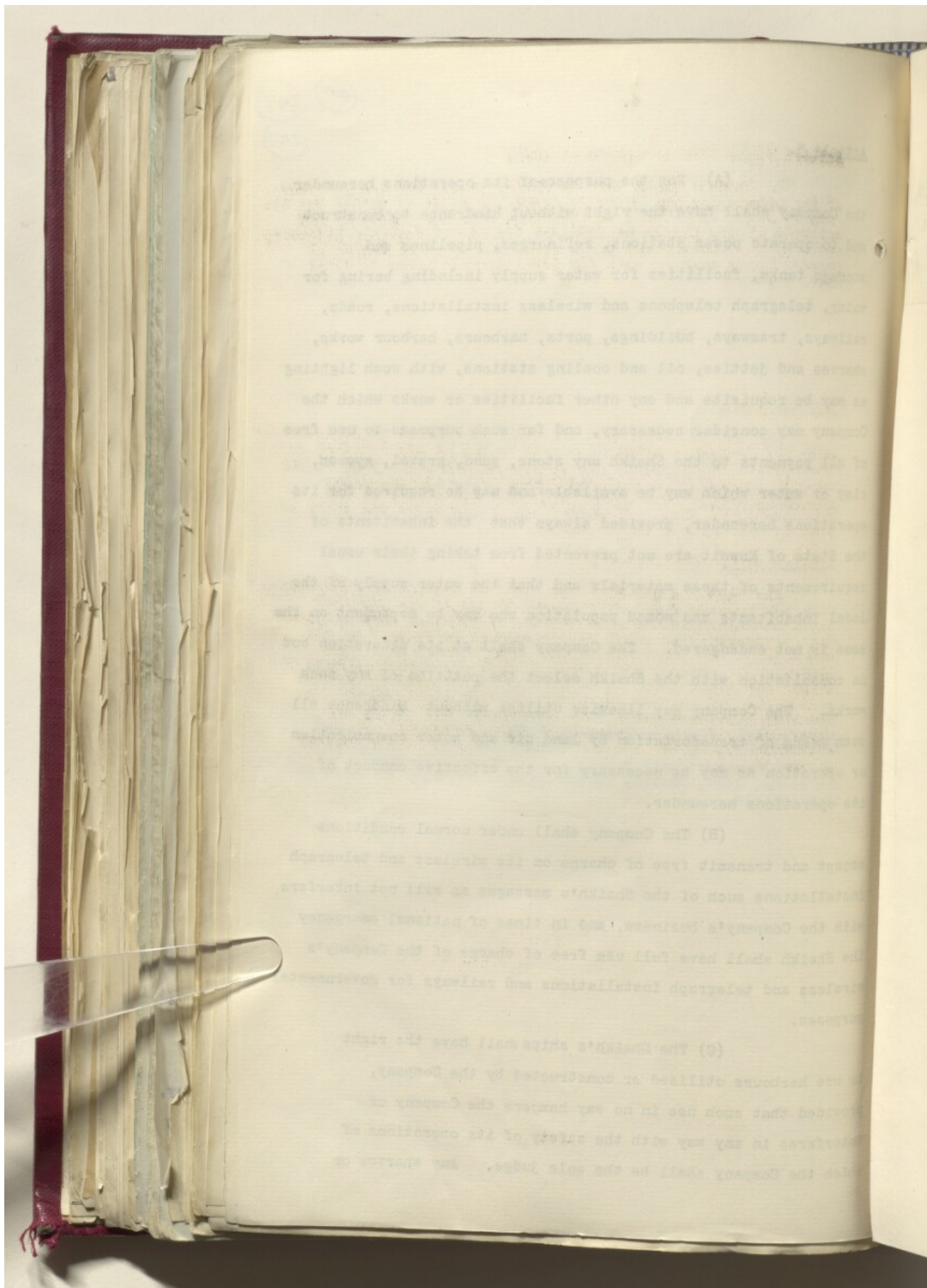
4.

Article 5.

(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary, and for such purposes to use free of all payments to the Shaikh any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the inhabitants of the State of Kuwait are not prevented from taking their usual requirements of these materials and that the water supply of the local inhabitants and nomad population who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such of the Shaikh's messages as will not interfere with the Company's business, and in times of national emergency the Shaikh shall have full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes.

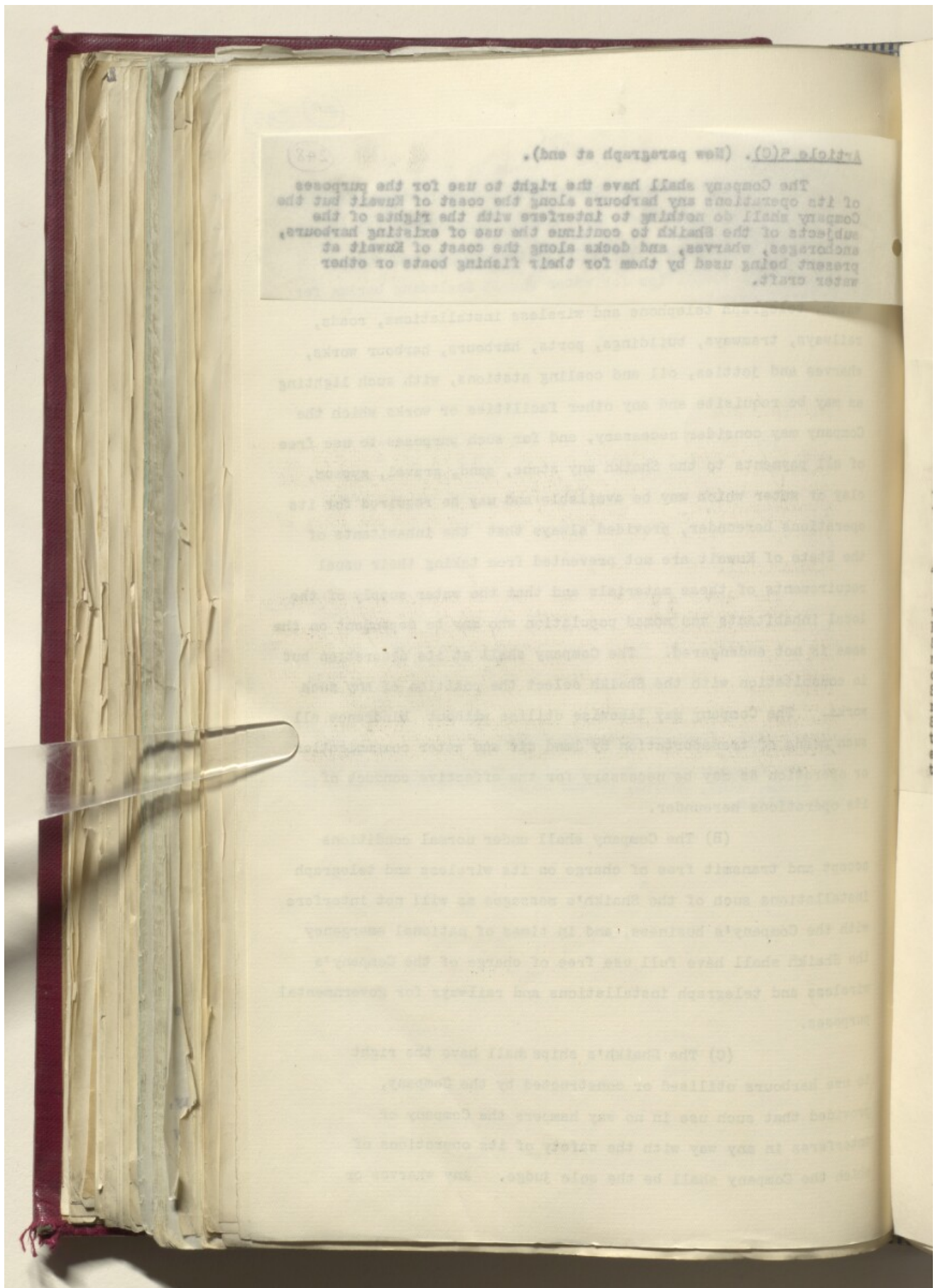
(C) The Shaikh's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or





Article 5(c). (New paragraph at end).

(248)
The Company shall have the right to use for the purposes of its operations any harbours along the coast of Kuwait but the Company shall do nothing to interfere with the rights of the subjects of the Shaikh to continue the use of existing harbours, anchorages, wharves, and docks along the coast of Kuwait at present being used by them for their fishing boats or other water craft.



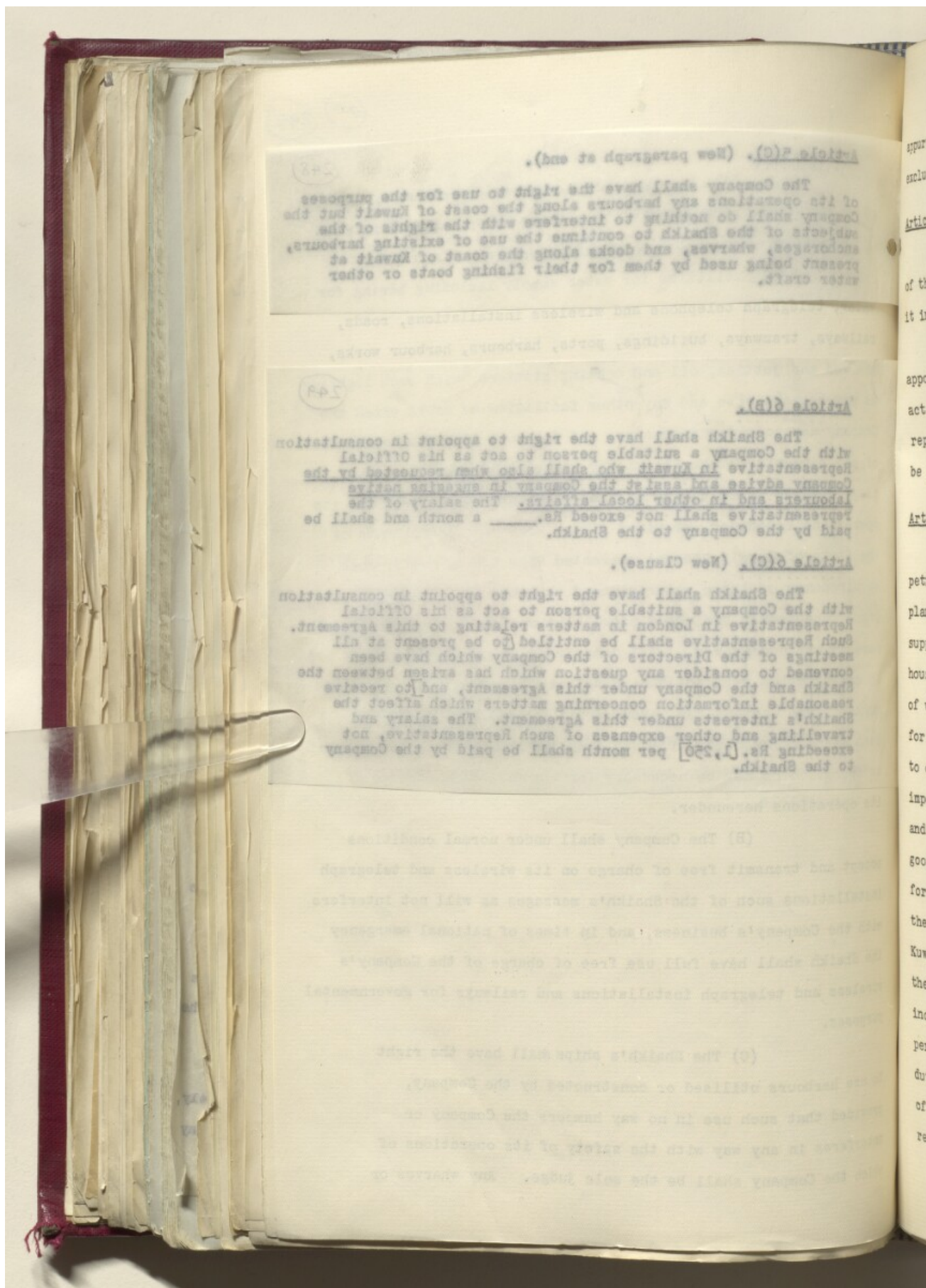


Article 6(B). (249)

The Shaikh shall have the right to appoint in consultation with the Company a suitable person to act as his Official Representative in Kuwait who shall also when requested by the Company advise and assist the Company in engaging native labourers and in other local affairs. The salary of the representative shall not exceed Rs. _____ a month and shall be paid by the Company to the Shaikh.

Article 6(C). (New Clause).

The Shaikh shall have the right to appoint in consultation with the Company a suitable person to act as his Official Representative in London in matters relating to this Agreement. Such Representative shall be entitled to be present at all meetings of the Directors of the Company which have been convened to consider any question which has arisen between the Shaikh and the Company under this Agreement, and to receive reasonable information concerning matters which affect the Shaikh's interests under this Agreement. The salary and travelling and other expenses of such Representative, not exceeding Rs. [1,250] per month shall be paid by the Company to the Shaikh.





5.

appurtenances constructed by the Company shall be for its exclusive use.

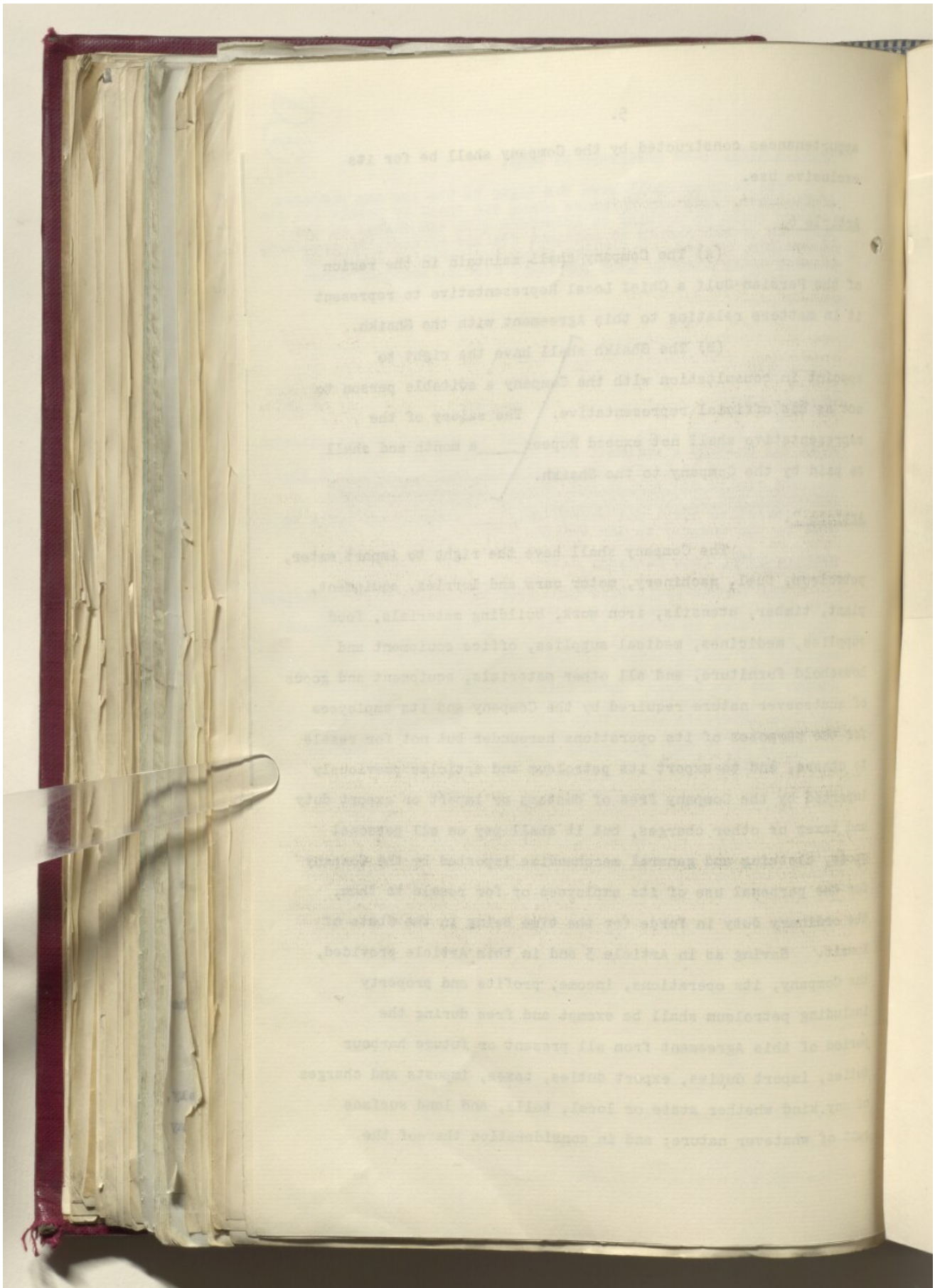
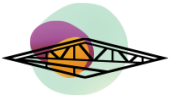
Article 6.

(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh.

(B) The Shaikh shall have the right to appoint in consultation with the Company a suitable person to act as his official representative. The salary of the representative shall not exceed Rupees _____ a month and shall be paid by the Company to the Shaikh.

Article 7.

The Company shall have the right to import water, petroleum, fuel, machinery, motor cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the





Article 7(B). (New Clause).

(251)

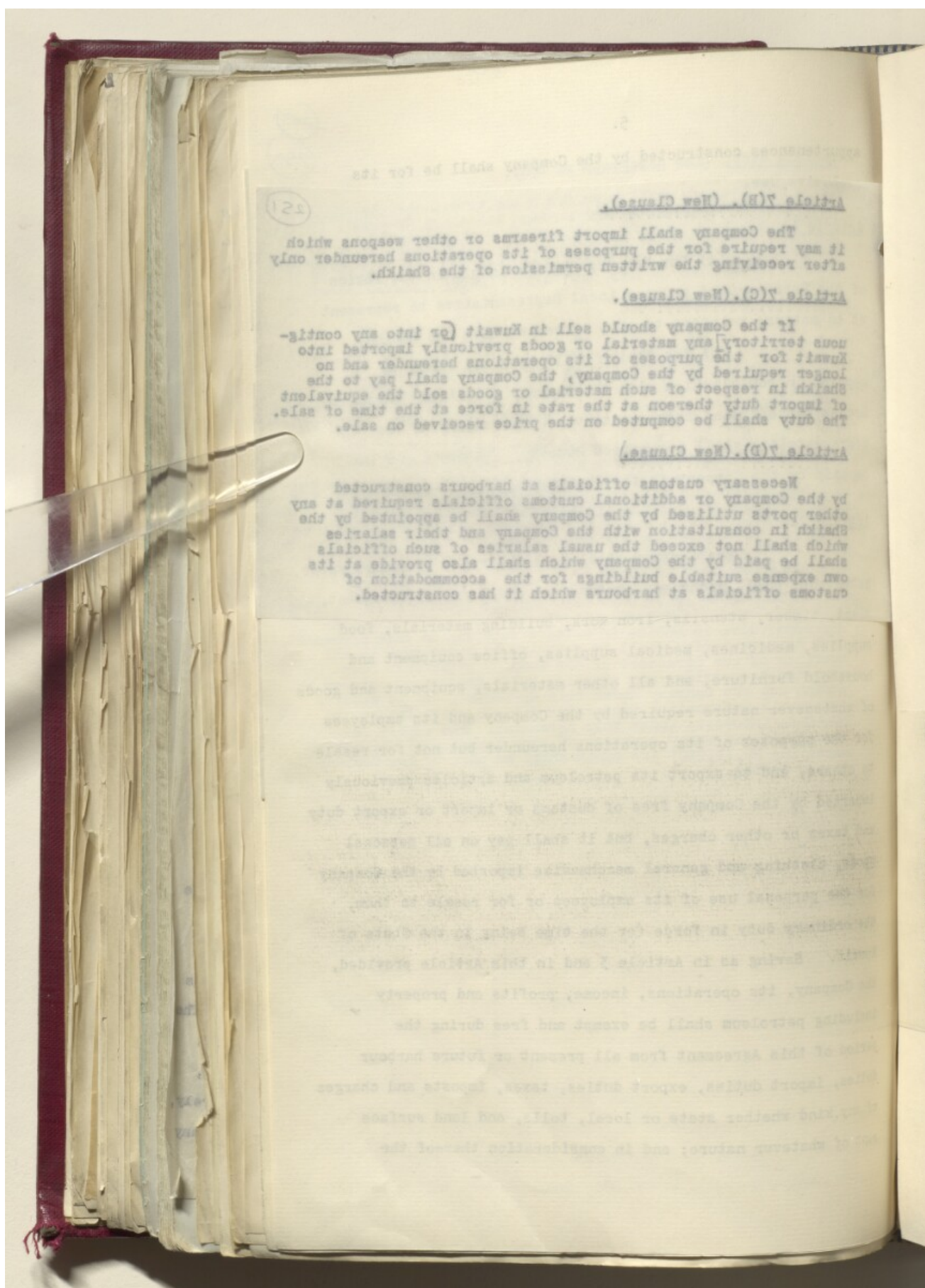
The Company shall import firearms or other weapons which it may require for the purposes of its operations hereunder only after receiving the written permission of the Shaikh.

Article 7(C). (New Clause).

If the Company should sell in Kuwait (or into any contiguous territory) any material or goods previously imported into Kuwait for the purposes of its operations hereunder and no longer required by the Company, the Company shall pay to the Shaikh in respect of such material or goods sold the equivalent of import duty thereon at the rate in force at the time of sale. The duty shall be computed on the price received on sale.

Article 7(D). (New Clause).

Necessary customs officials at harbours constructed by the Company or additional customs officials required at any other ports utilised by the Company shall be appointed by the Shaikh in consultation with the Company and their salaries which shall not exceed the usual salaries of such officials shall be paid by the Company which shall also provide at its own expense suitable buildings for the accommodation of customs officials at harbours which it has constructed.



Article 7(B). (New Clause).

The Company shall import firearms or other weapons which it may require for the purposes of its operations hereunder only after receiving the written permission of the Shaikh.

Article 7(C). (New Clause).

If the Company should sell in Kuwait (or into any contiguous territory) any material or goods previously imported into Kuwait for the purposes of its operations hereunder and no longer required by the Company, the Company shall pay to the Shaikh in respect of such material or goods sold the equivalent of import duty thereon at the rate in force at the time of sale. The duty shall be computed on the price received on sale.

Article 7(D). (New Clause).

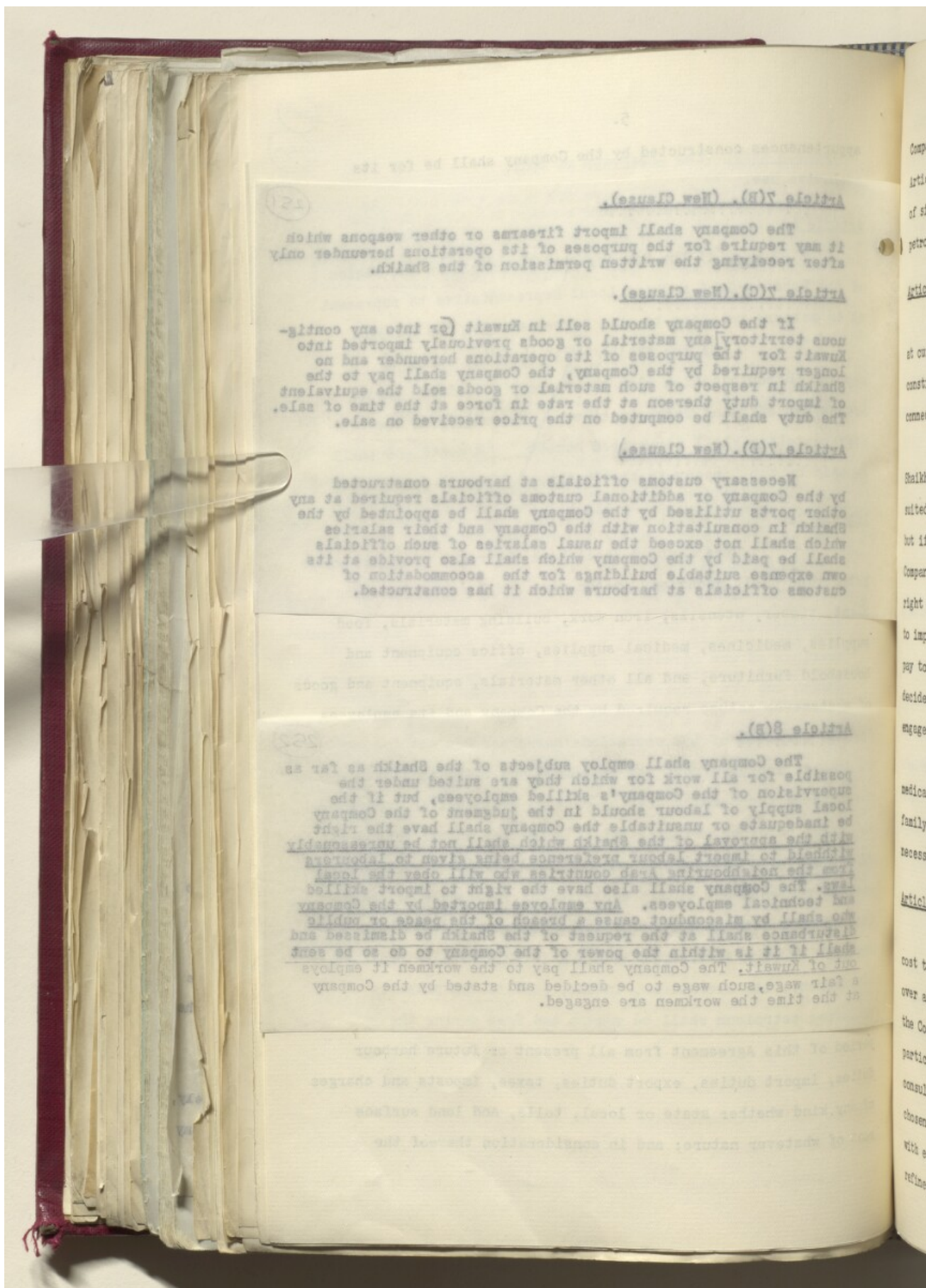
Necessary customs officials at harbours constructed by the Company or additional customs officials required at any other ports utilized by the Company shall be appointed by the Shaikh in consultation with the Company and their salaries which shall not exceed the usual salaries of such officials shall be paid by the Company which shall also provide at its own expense suitable buildings for the accommodation of customs officials at harbours which it has constructed.



Article 8(B).

(252)

The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right with the approval of the Shaikh which shall not be unreasonably withheld to import labour preference being given to labourers from the neighbouring Arab countries who will obey the local laws. The Company shall also have the right to import skilled and technical employees. Any employee imported by the Company who shall by misconduct cause a breach of the peace or public disturbance shall at the request of the Shaikh be dismissed and shall if it is within the power of the Company to do so be sent out of Kuwait. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.





6.

Company shall in addition to the payments provided for in Article 3 pay to the Shaikh on each anniversary of the date of signature of this Agreement _____ annas per ton of petroleum on which royalty is payable.

Article 8.

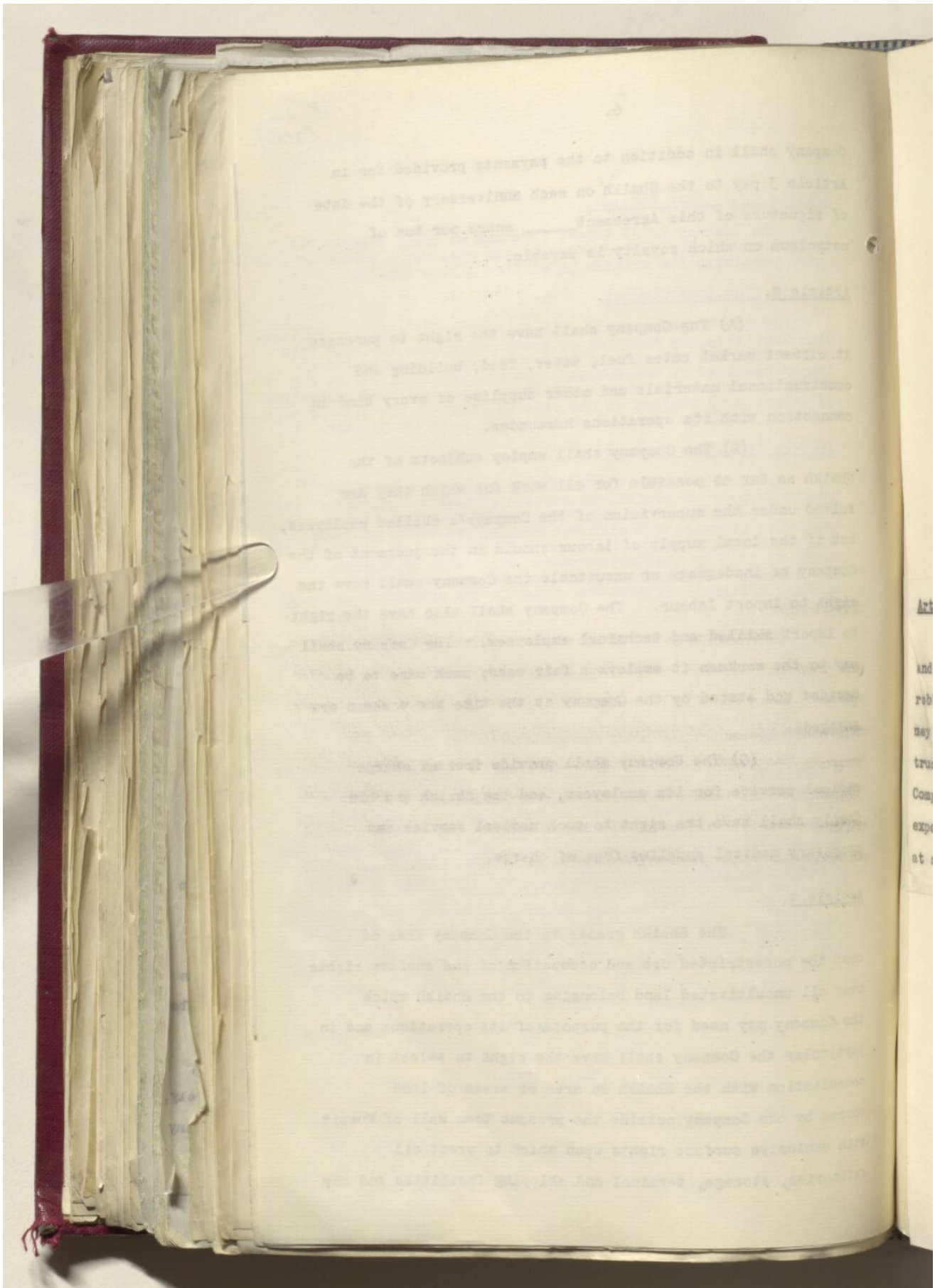
(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right to import labour. The Company shall also have the right to import skilled and technical employees. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Shaikh and his family shall have the right to such medical service and necessary medical supplies free of charge.

Article 9.

The Shaikh grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Shaikh which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Shaikh an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any

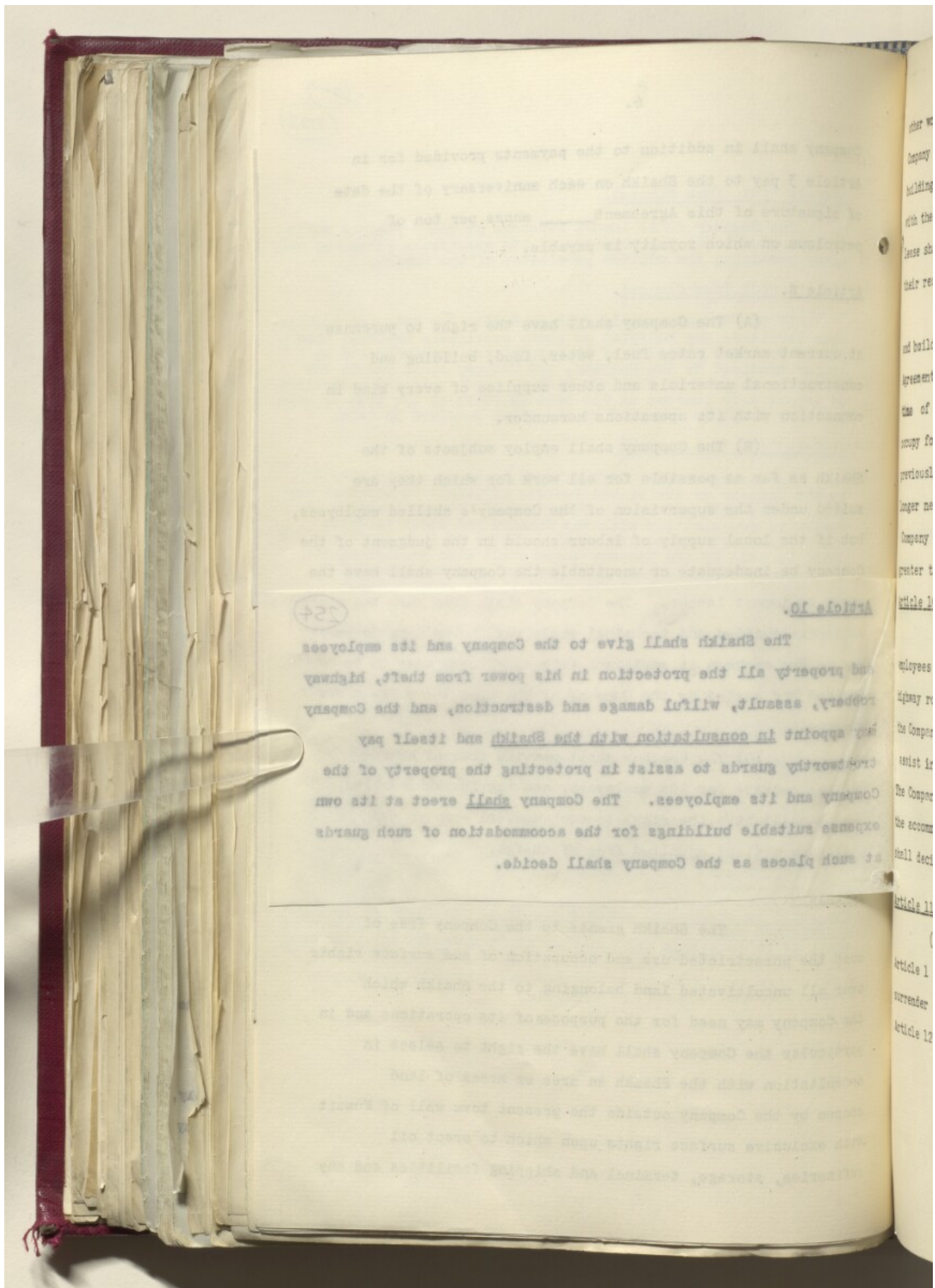




Article 10.

(254)

The Shaikh shall give to the Company and its employees and property all the protection in his power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint in consultation with the Shaikh and itself pay trustworthy guards to assist in protecting the property of the Company and its employees. The Company shall erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.





7.

other works required for the Company's operations; and the Company may buy or lease for such purposes any lands houses or buildings with the consent of and on conditions to be arranged with the proprietors thereof but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities.

The Company shall acquire only such land houses and buildings as are necessary for its operations under this Agreement. The Company shall inform the Shaikh from time to time of the land houses and buildings which it requires to occupy for its operations; and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh at a cost which in any case shall not be greater than that paid by the Company.

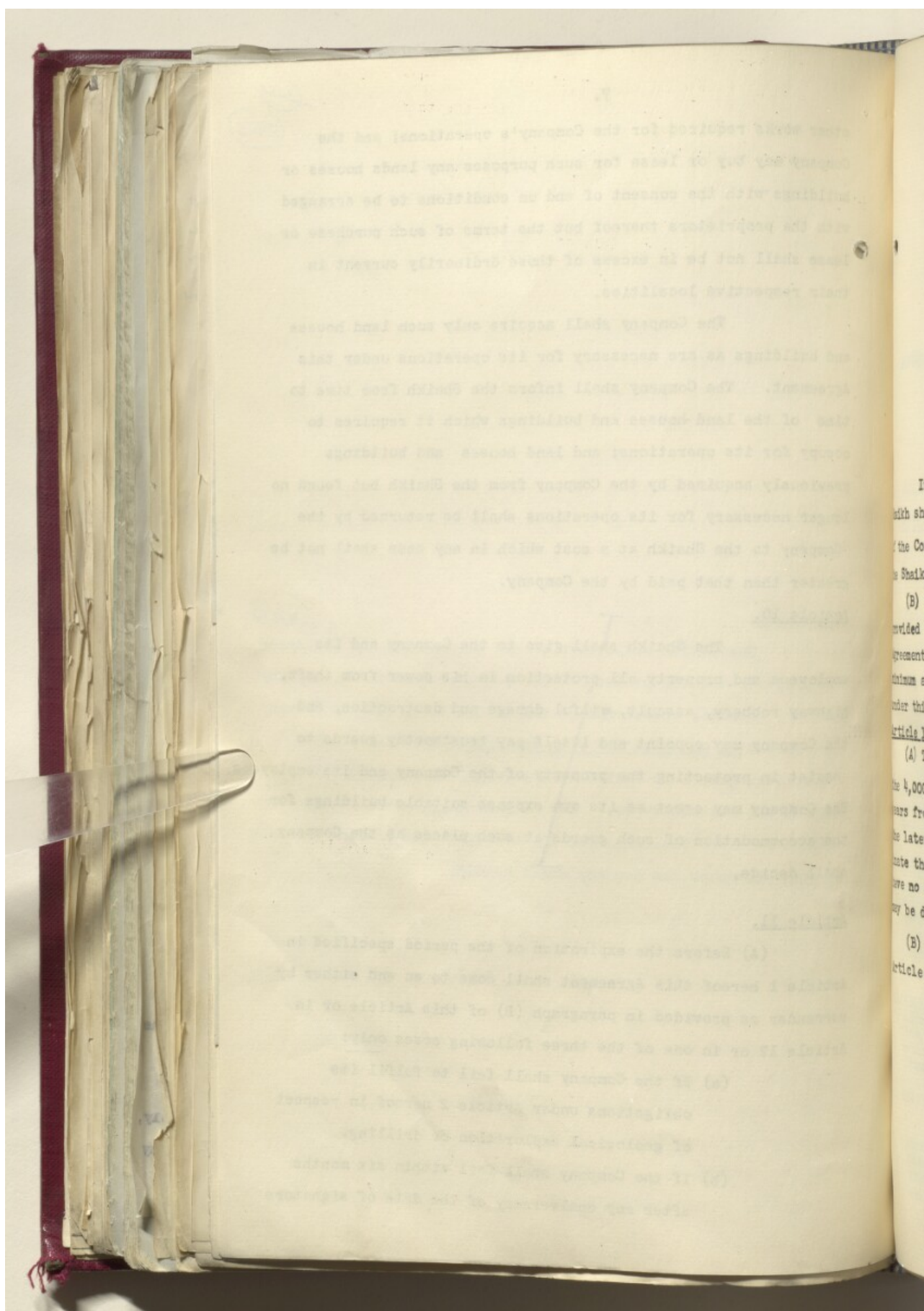
Article 10.

The Shaikh shall give to the Company and its employees and property all protection in his power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint and itself pay trustworthy guards to assist in protecting the property of the Company and its employees. The Company may erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.

(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases only:

- (a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.
- (b) If the Company shall fail within six months after any anniversary of the date of signature





8.

of this Agreement to make to the Shaikh any payments agreed to be due under Article 3.

- (c) If the Company shall be in default under the arbitration provisions of Article 18.
- (d) If the Company shall fail to observe any of the terms of the Agreement between the Company and His Majesty's Government signed in London on 5th March, 1934, and, if the matter is referred to arbitration under Article 18, fail to remedy such failure within the reasonable time which shall be fixed by the arbitrators for so doing.

In any one of the above mentioned cases and in no other the Shaikh shall be entitled to terminate this Agreement and all the property of the Company within the State of Kuwait shall become the property of the Shaikh.

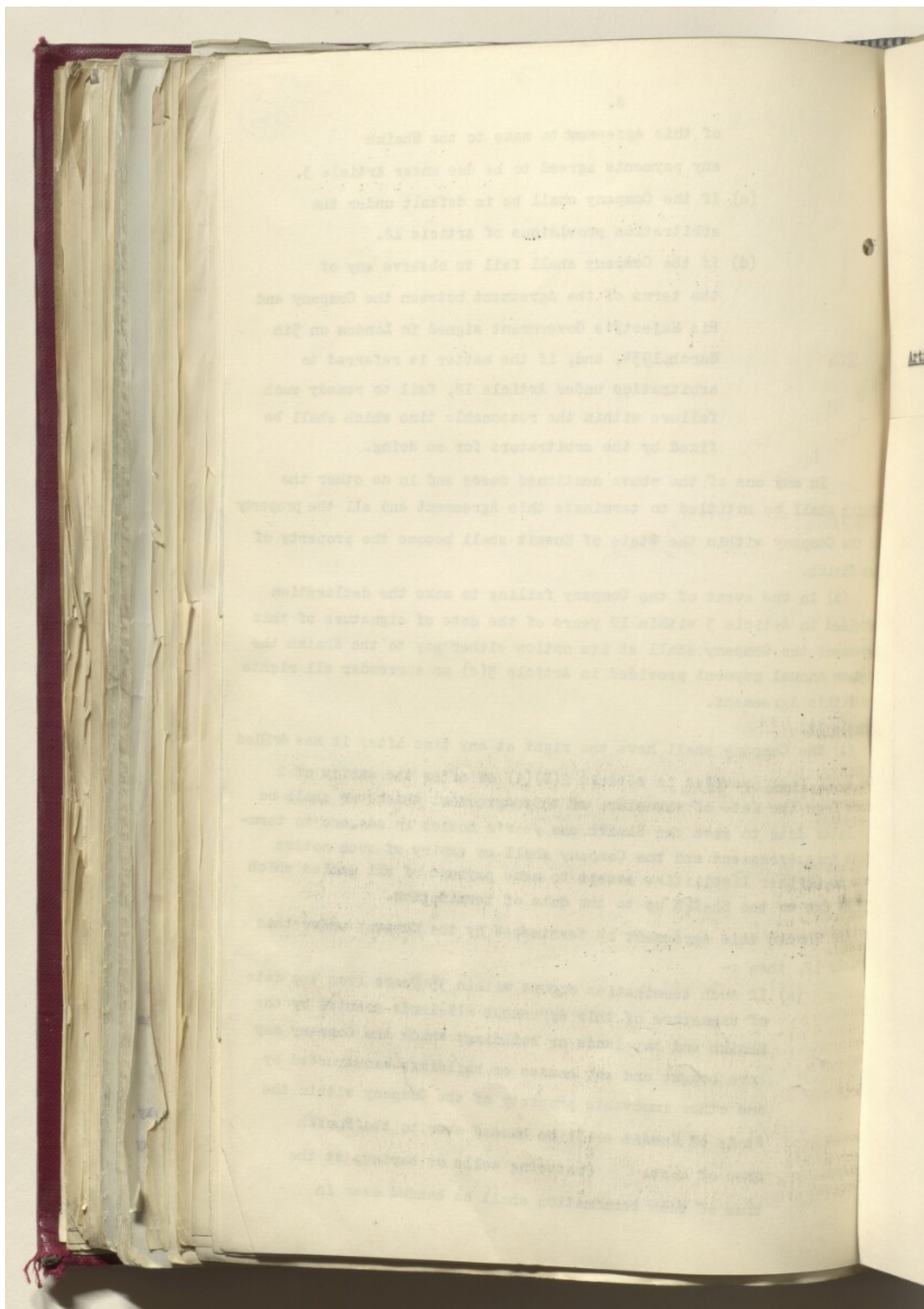
(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Shaikh the minimum annual payment provided in Article 3(c) or surrender all rights under this Agreement.

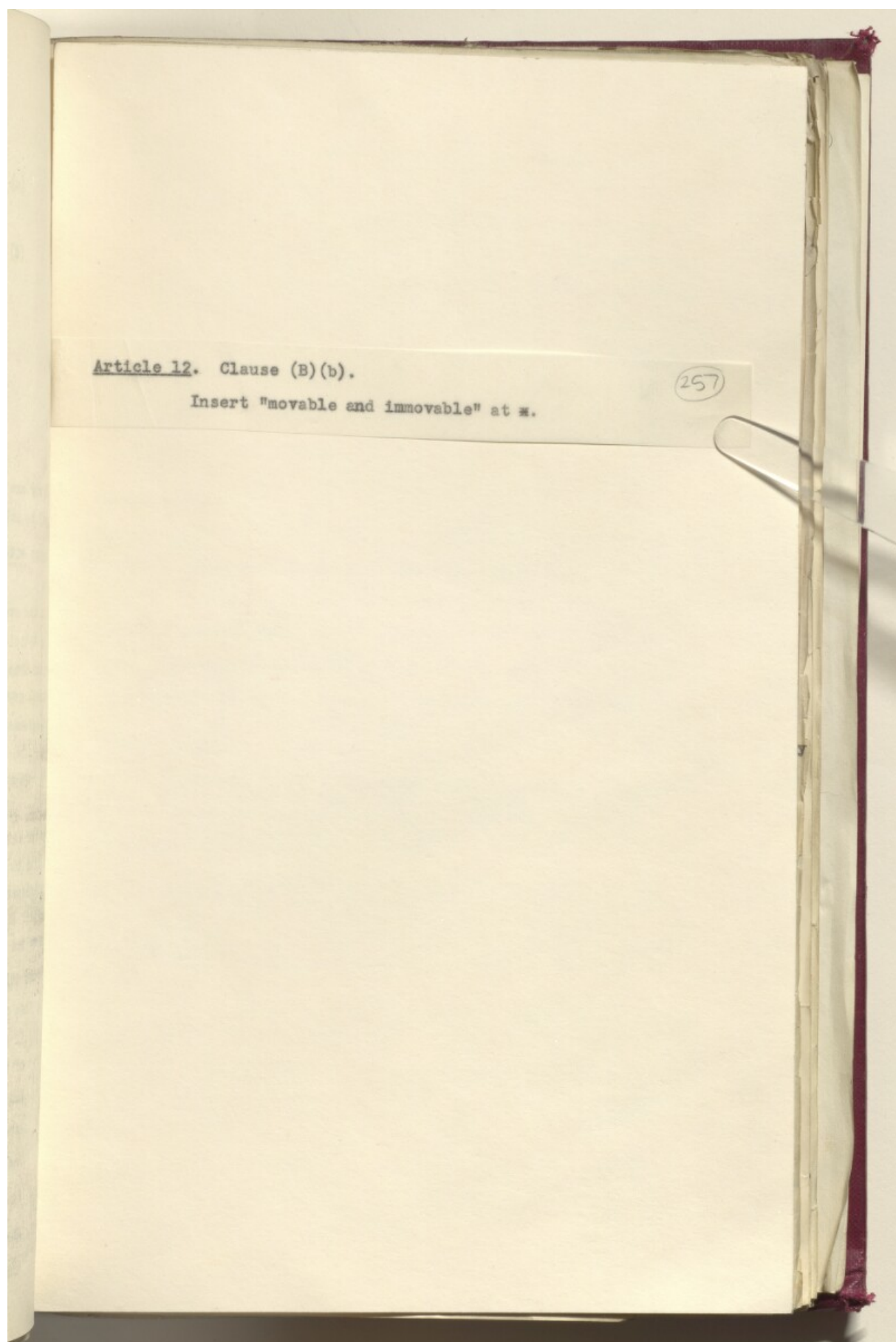
Article 12.

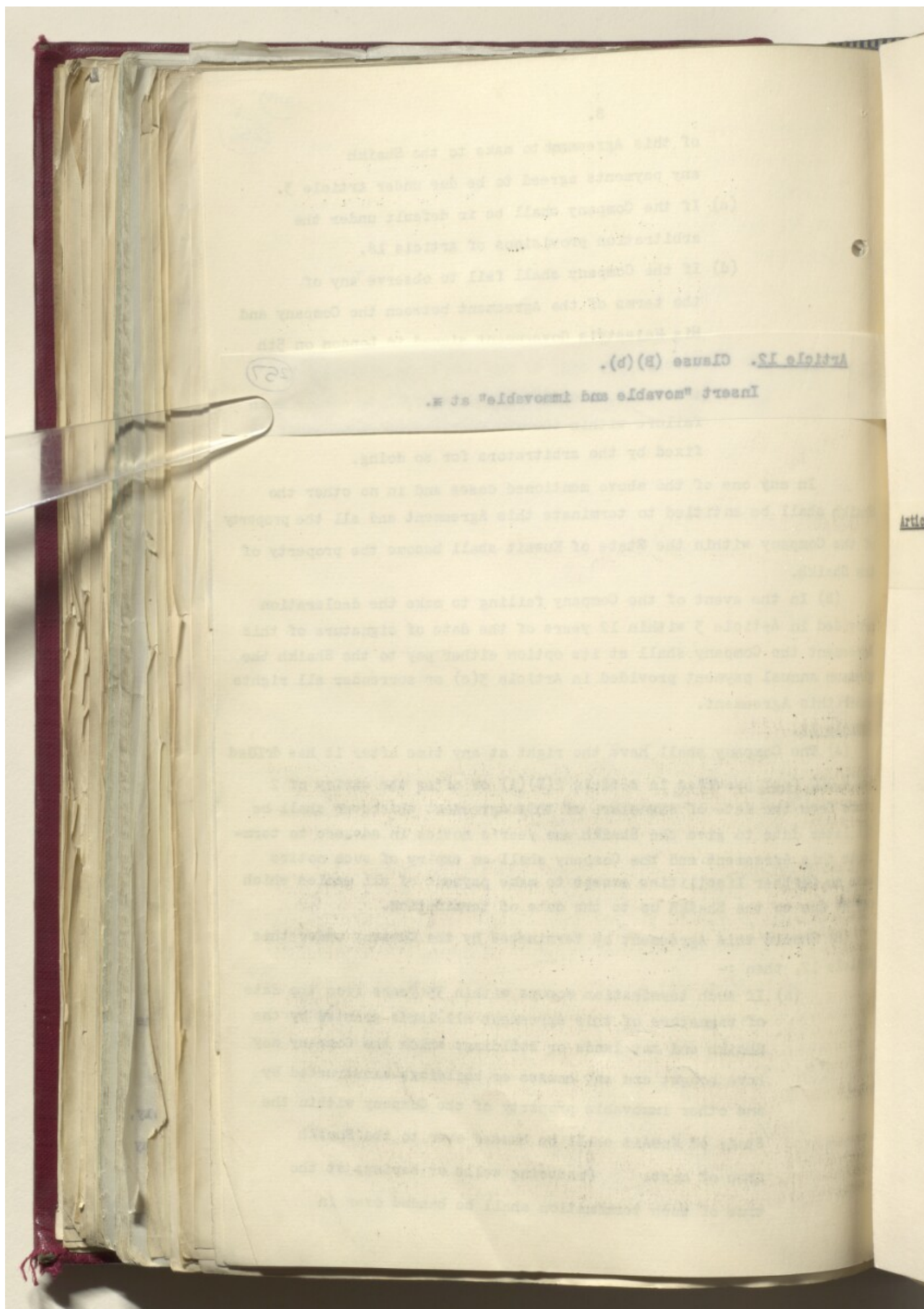
(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2(B)(1) or after the expiry of 2 years from the date of signature of this Agreement whichever shall be the later date to give the Shaikh one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Shaikh up to the date of termination.

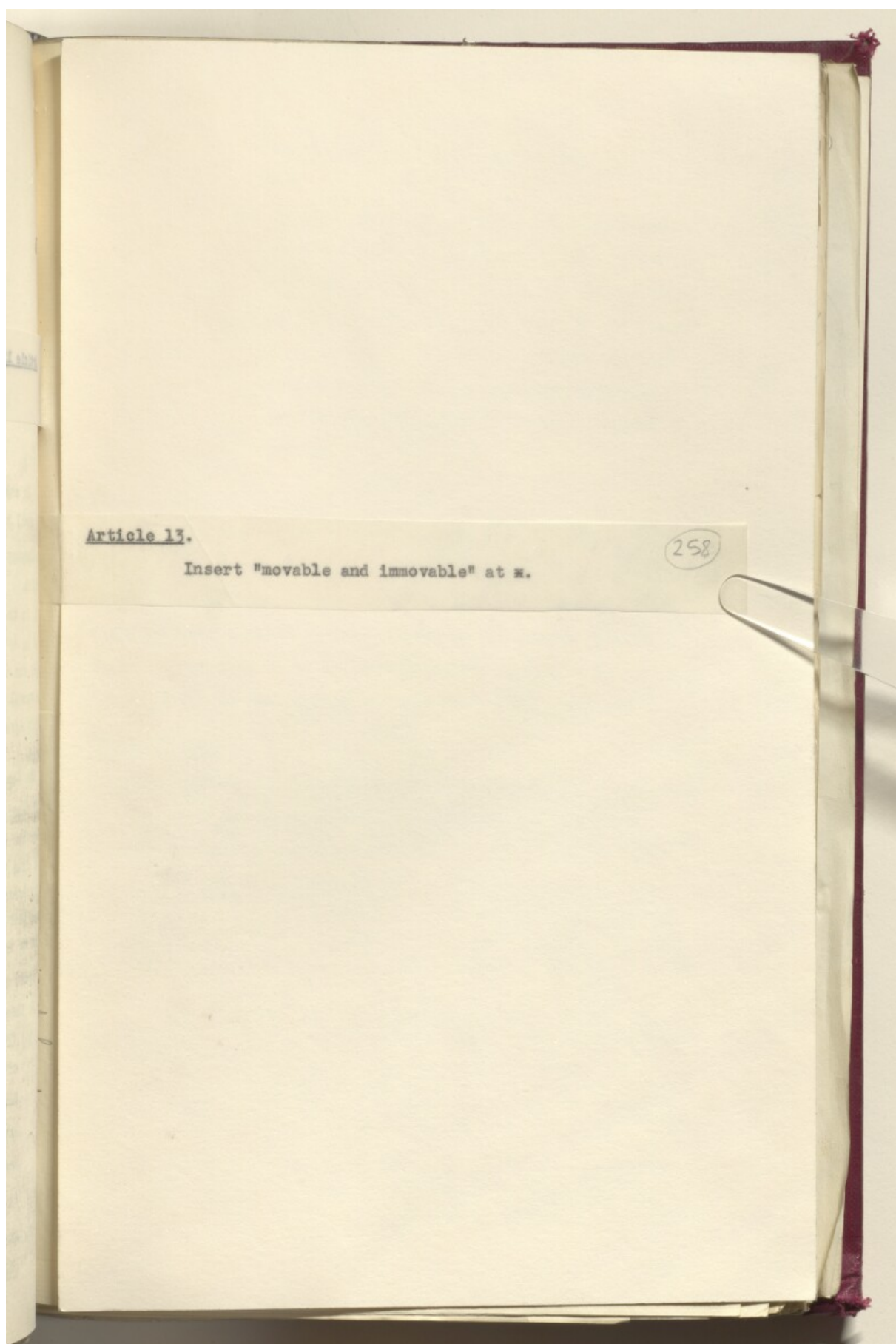
(B) Should this Agreement be terminated by the Company under this Article 12, then :-

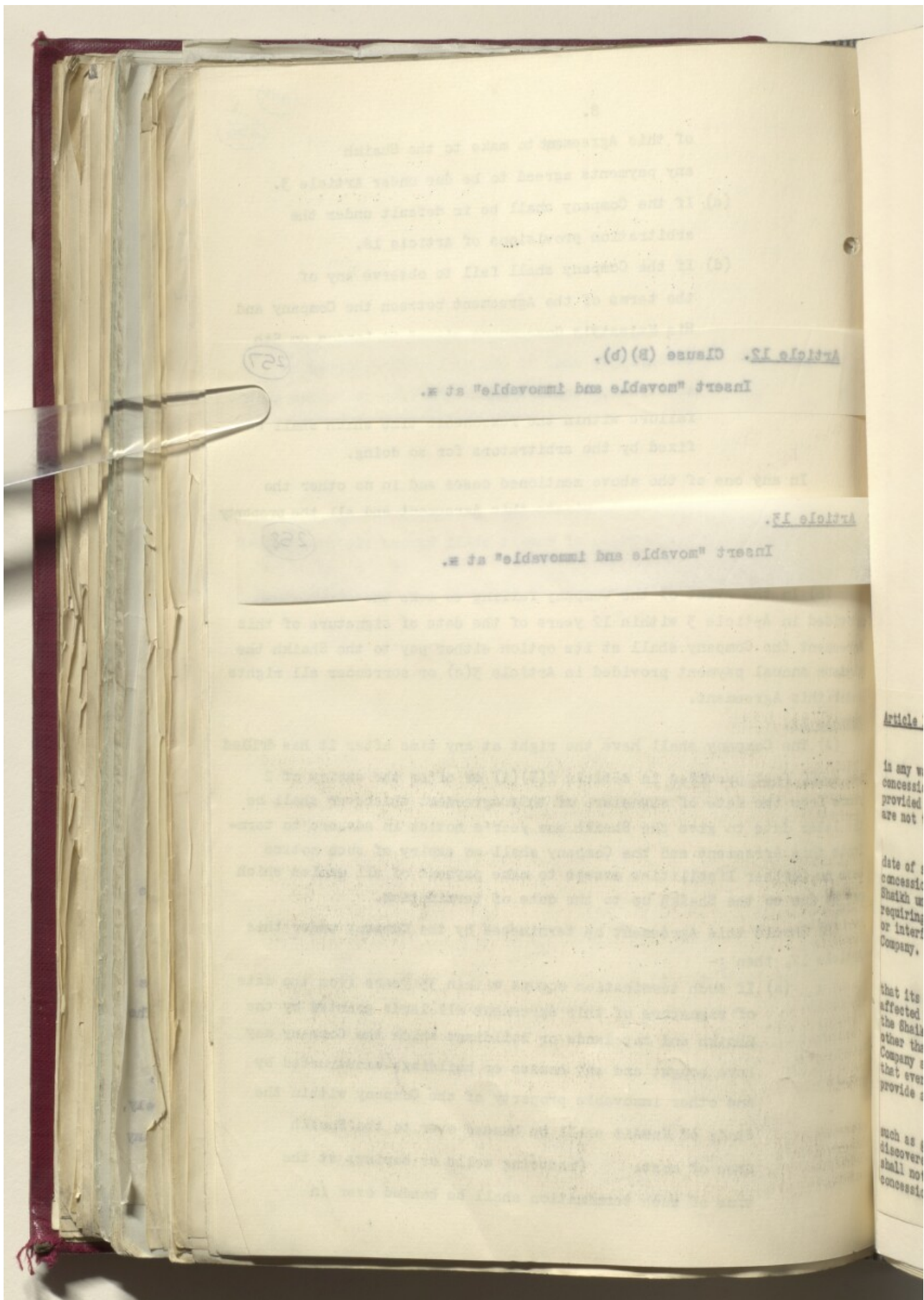
- (a) If such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in













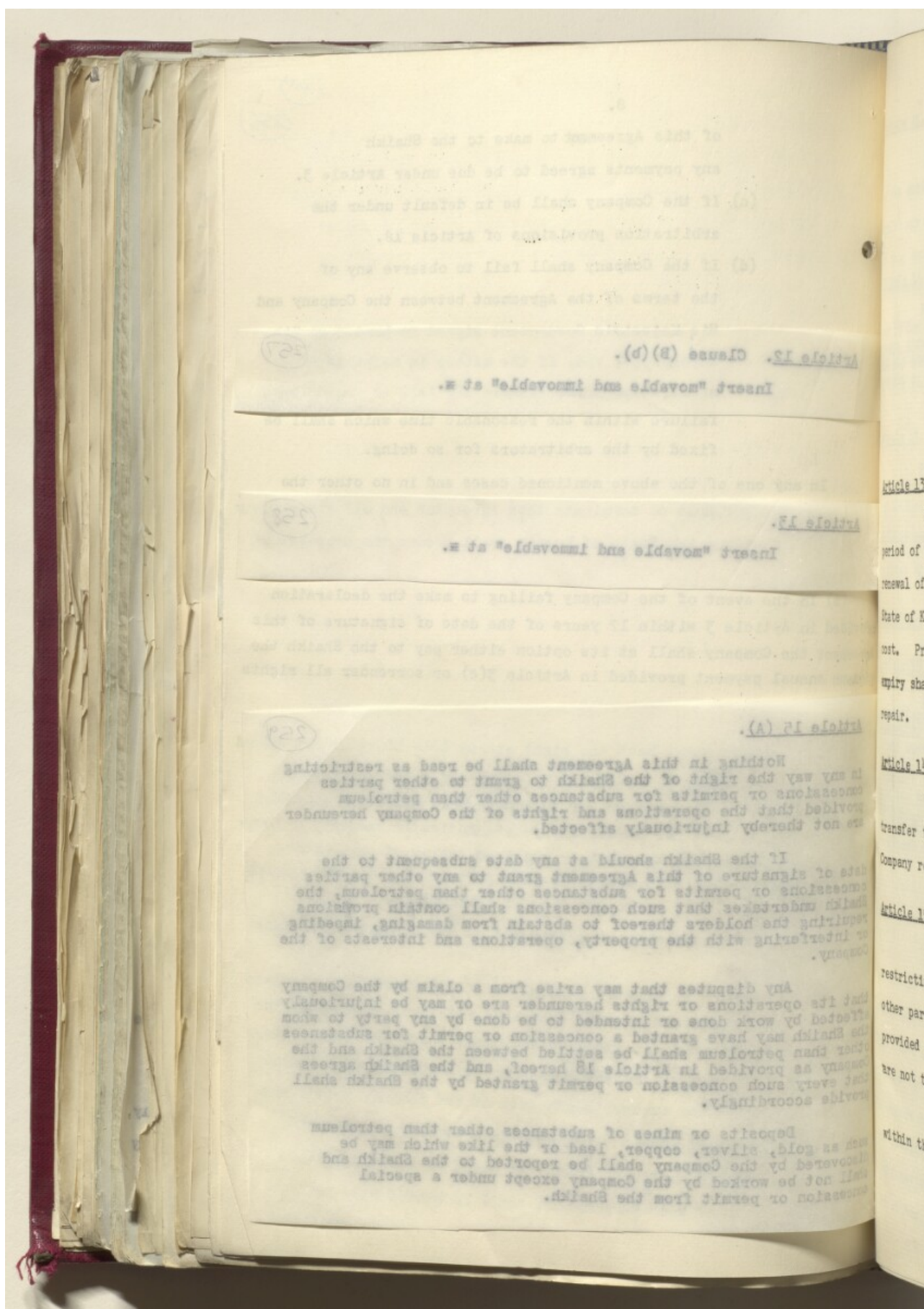
Article 15 (A).

Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions or permits for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

If the Shaikh should at any date subsequent to the date of signature of this Agreement grant to any other parties concessions or permits for substances other than petroleum, the Shaikh undertakes that such concessions shall contain provisions requiring the holders thereof to abstain from damaging, impeding or interfering with the property, operations and interests of the Company.

Any disputes that may arise from a claim by the Company that its operations or rights hereunder are or may be injuriously affected by work done or intended to be done by any party to whom the Shaikh may have granted a concession or permit for substances other than petroleum shall be settled between the Shaikh and the Company as provided in Article 18 hereof, and the Shaikh agrees that every such concession or permit granted by the Shaikh shall provide accordingly.

Deposits or mines of substances other than petroleum such as gold, silver, copper, lead or the like which may be discovered by the Company shall be reported to the Shaikh and shall not be worked by the Company except under a special concession or permit from the Shaikh.





9.

reasonably good order and repair.
but

- (b) If such termination occurs after 35 years from the date of signature of this Agreement all the* property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

Article 13.

On the expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the* property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such expiry shall be handed over in reasonably good order and repair.

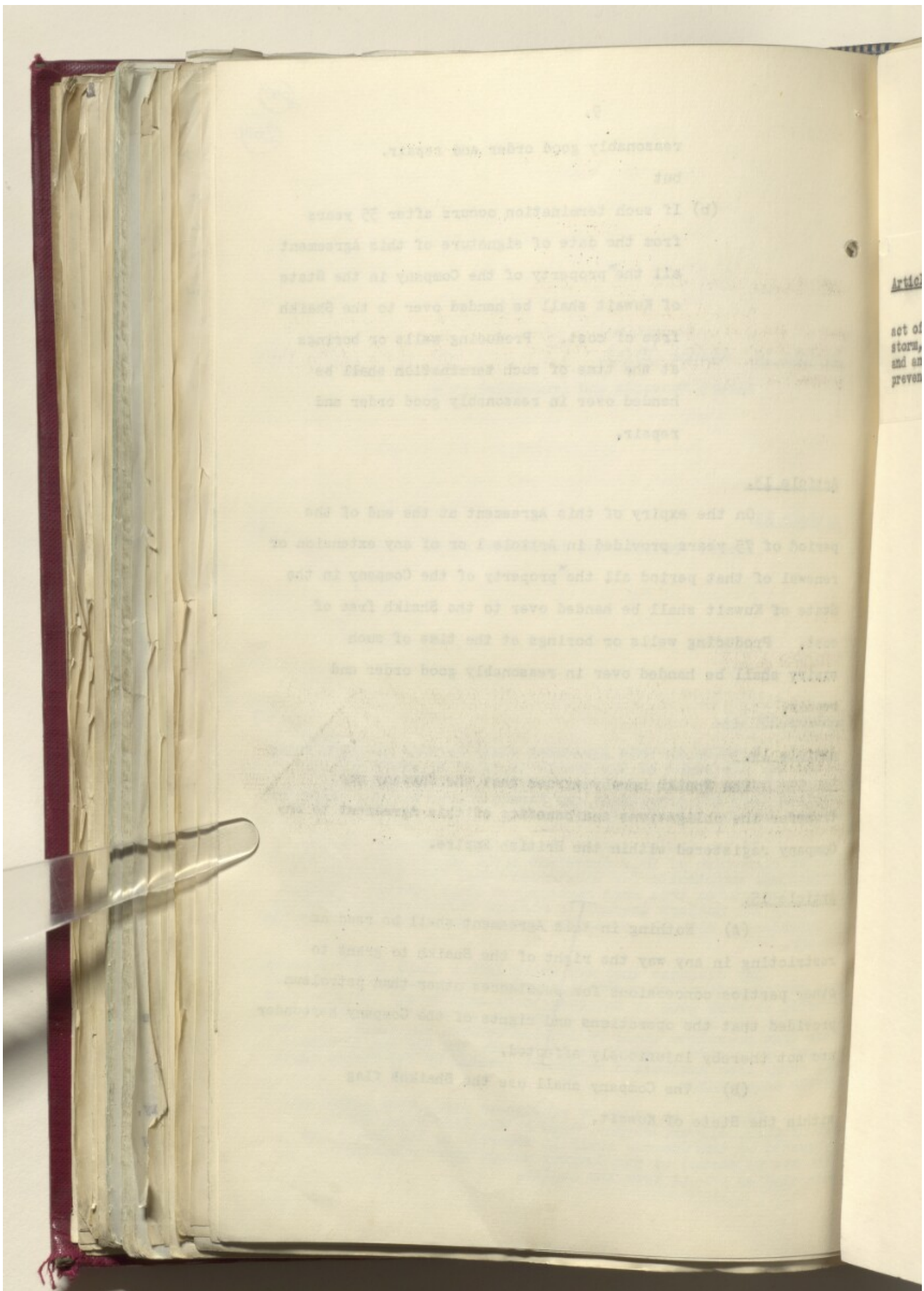
Article 14.

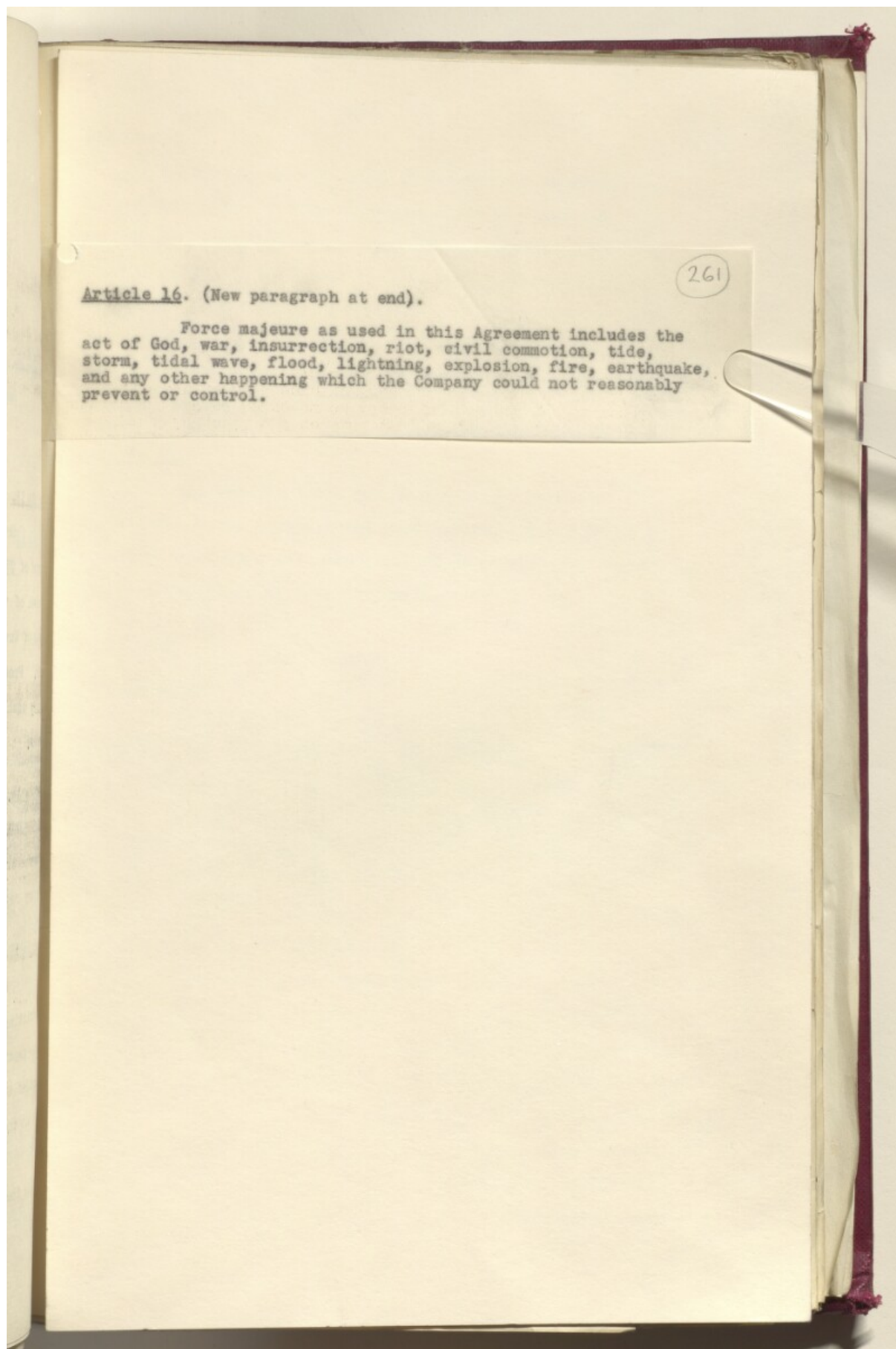
The Shaikh hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered within the British Empire.

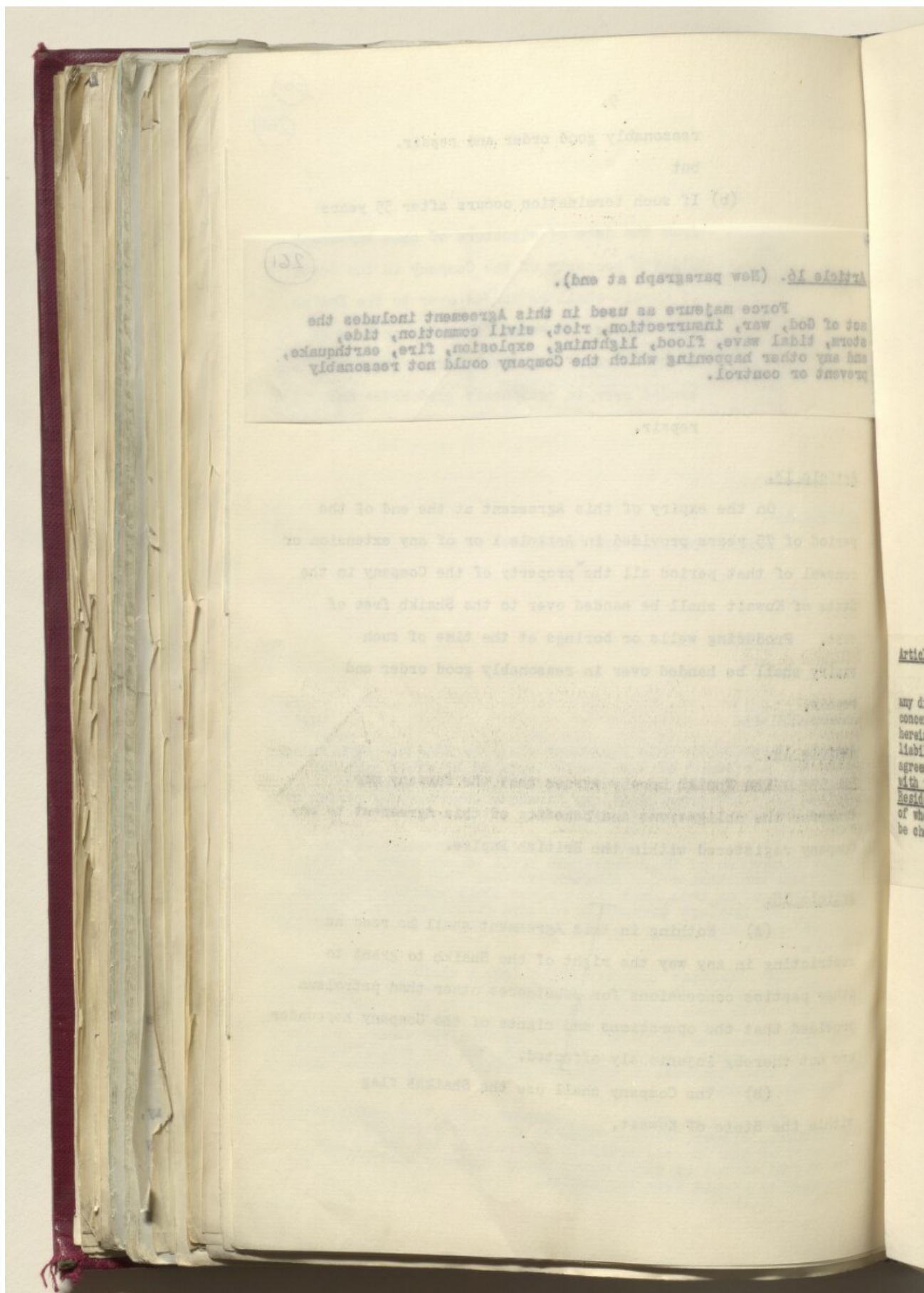
Article 15.

(A) Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

(B) The Company shall use the Shaikh's flag within the State of Kuwait.





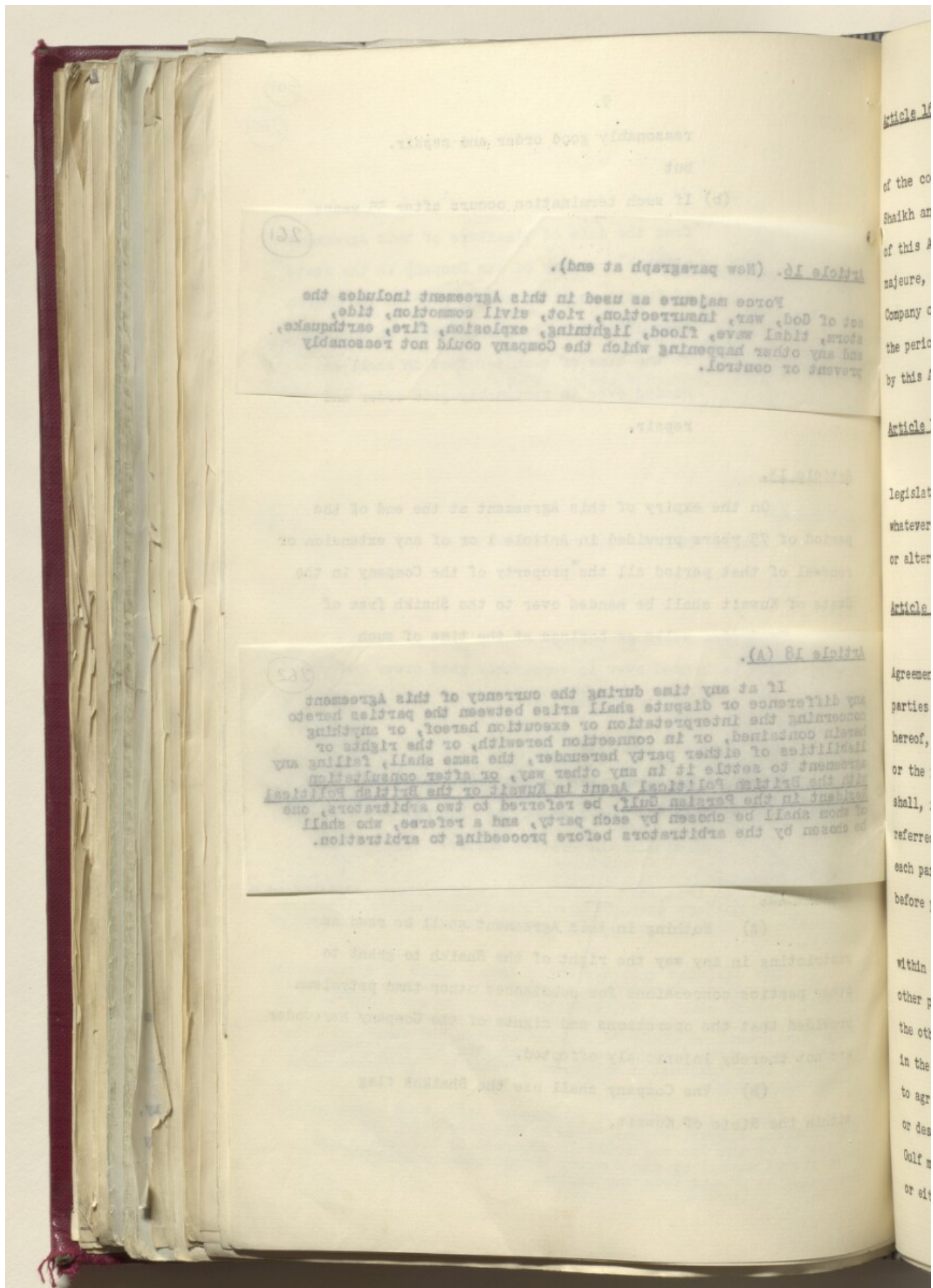




Article 18 (A).

(262)

If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained, or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, or after consultation with the British Political Agent in Kuwait or the British Political Resident in the Persian Gulf, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.





10.

Article 16.

Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.

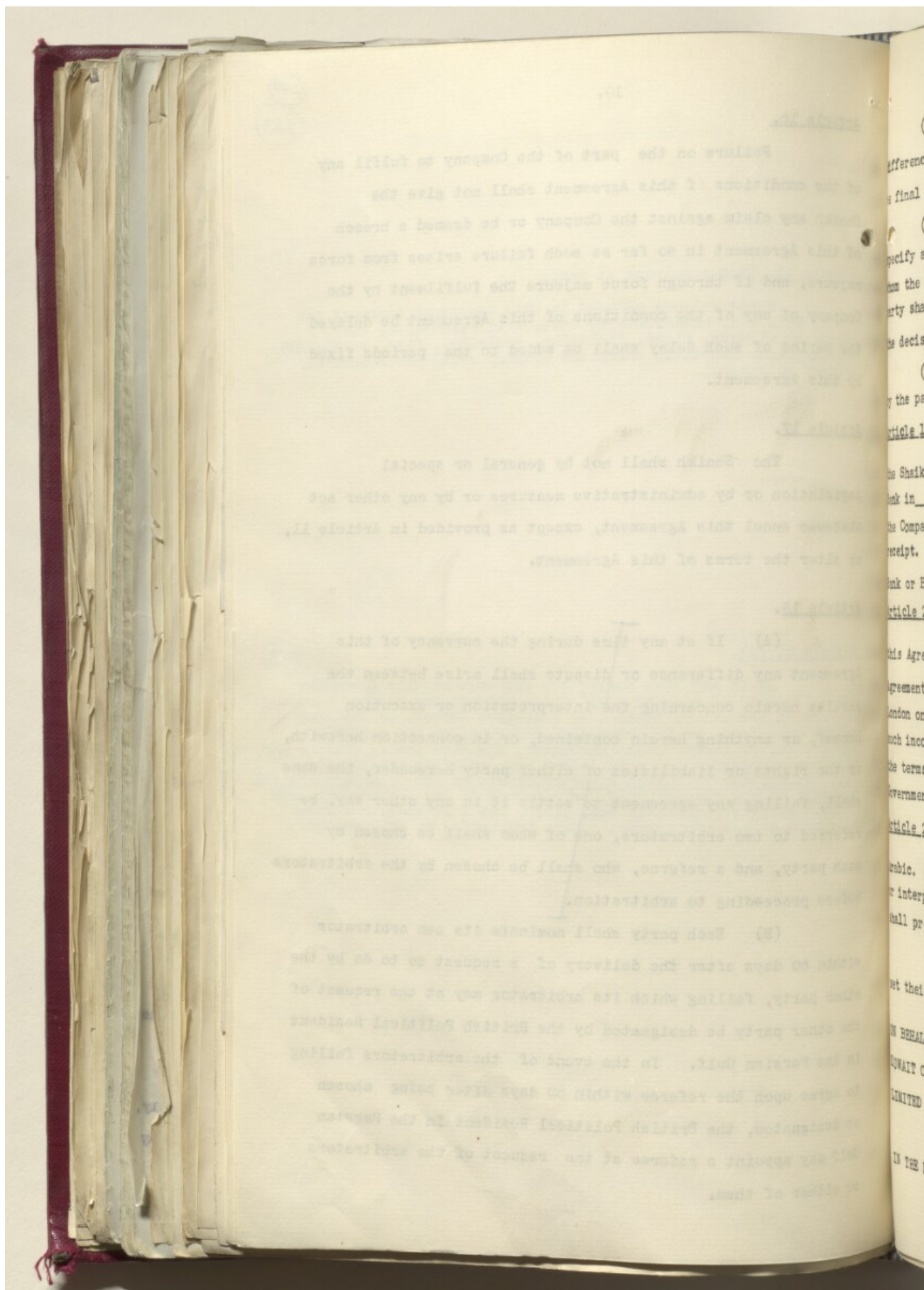
Article 17.

The Shaikh shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement, except as provided in Article 11, or alter the terms of this Agreement.

Article 18.

(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained, or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party, failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.





11.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.

(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19.

The Company shall make all payments that become due to the Shaikh under this Agreement into the Shaikh's account at the _____ Bank in _____ and the Bank's receipt shall be a full discharge for the Company in respect of the payment of the sum stated in the Bank's receipt. The Shaikh may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20.

It is hereby declared that should any of the terms of this Agreement be inconsistent or in conflict with the terms of the Agreement between the Company and His Majesty's Government signed in London on 5th March, 1934, this Agreement shall, to the extent of any such inconsistency or conflict, be subordinate to and controlled by the terms of that Agreement between the Company and His Majesty's Government.

Article 21.

This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

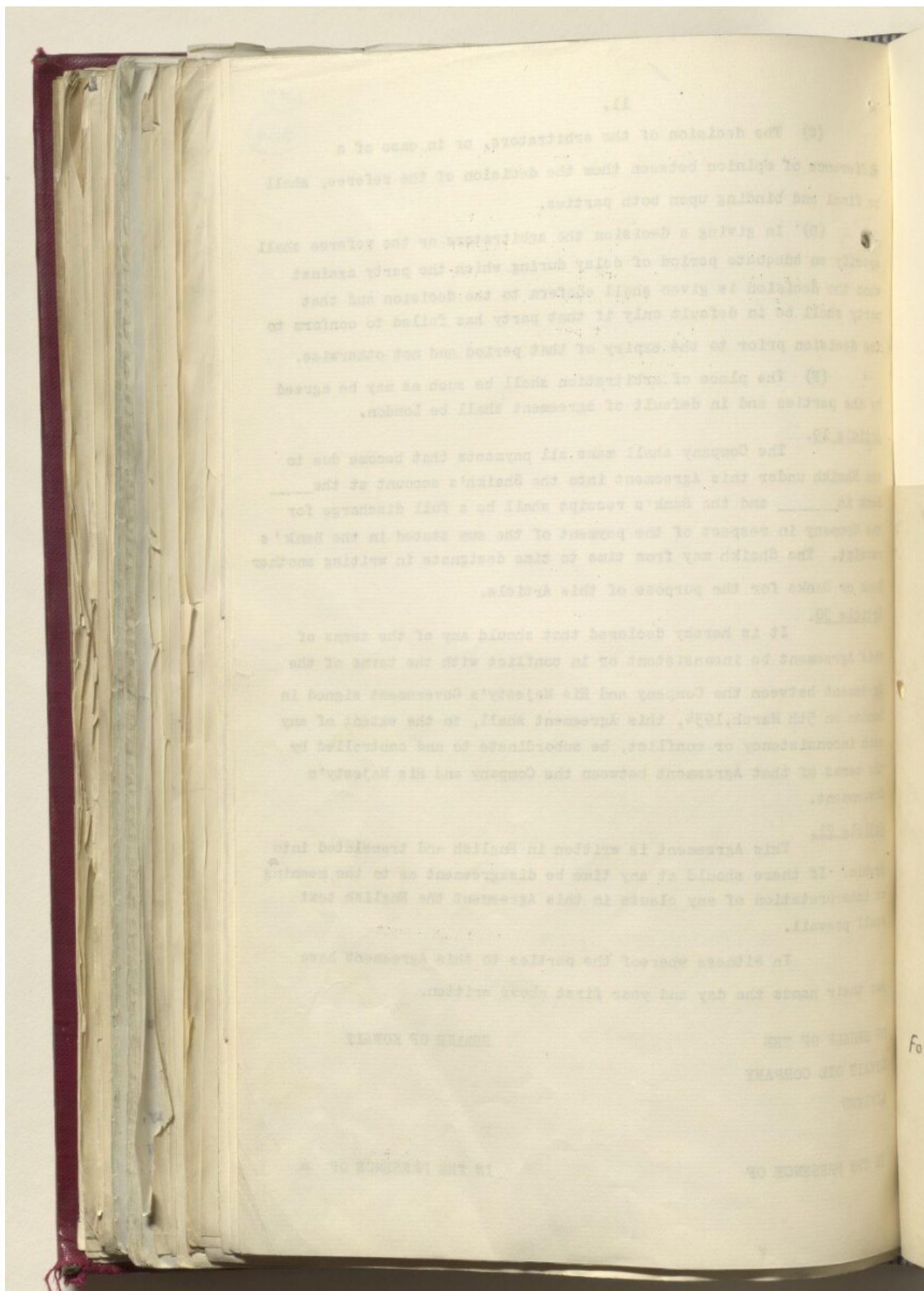
In witness whereof the parties to this Agreement have set their hands the day and year first above written.

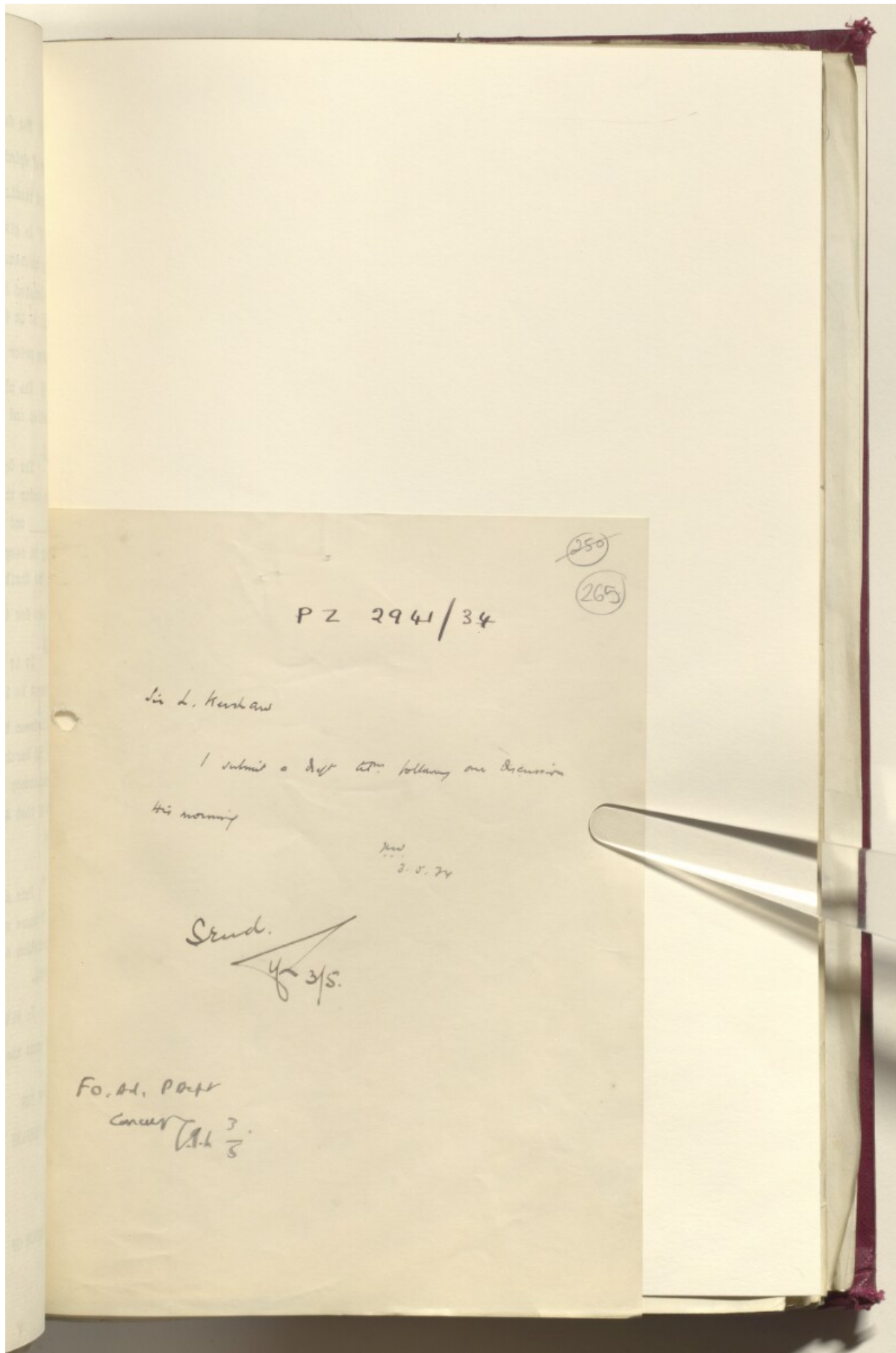
ON BEHALF OF THE
KUWAIT OIL COMPANY
LIMITED

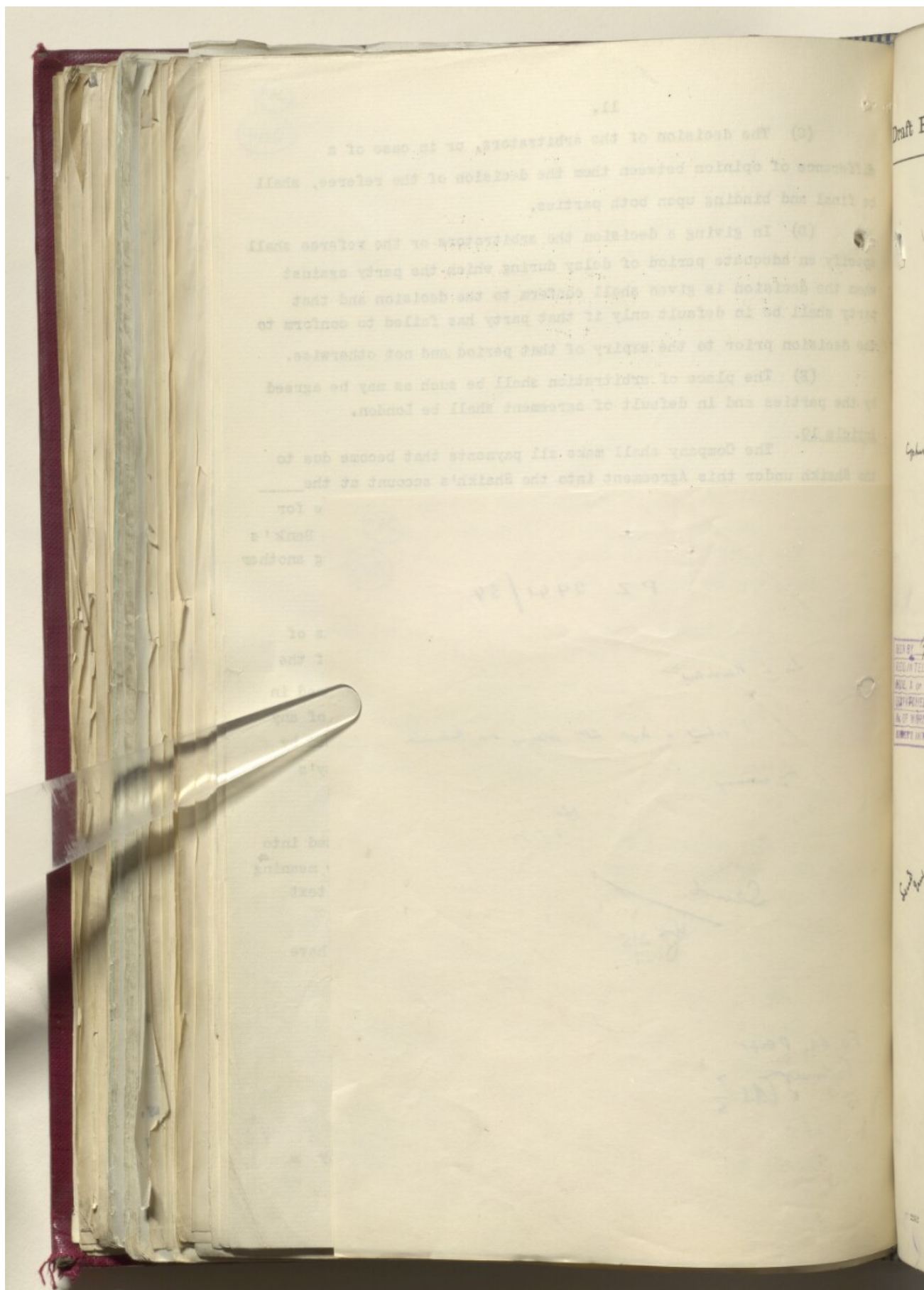
SHAIKH OF KUWAIT

IN THE PRESENCE OF

IN THE PRESENCE OF









Draft Paper.

PZ 2941/34.

Department.

DRAFT TELEGRAM:

Immediate Addressed
S. of S. to Pol. Resident in the
Persian Gulf, Bushire. No. 1172
Repeated to C. of I. and Pol. Agent,
No. 1173, Koweit. No. 1174

1172.

FIRST OF THREE PARTS

Your telegram 449, 2nd May. Koweit
Oil.

Cypher xxx

SEEN BY	DATE	TIME
RECD. IN TEL. BUREAU	3/5/34	5.14 PM
CODE, X or XX		XXX
DESPATCHED	3/5/34	7 PM
NO. OF WORDS	535, 535 + 534	
SENDER'S INITIALS		28

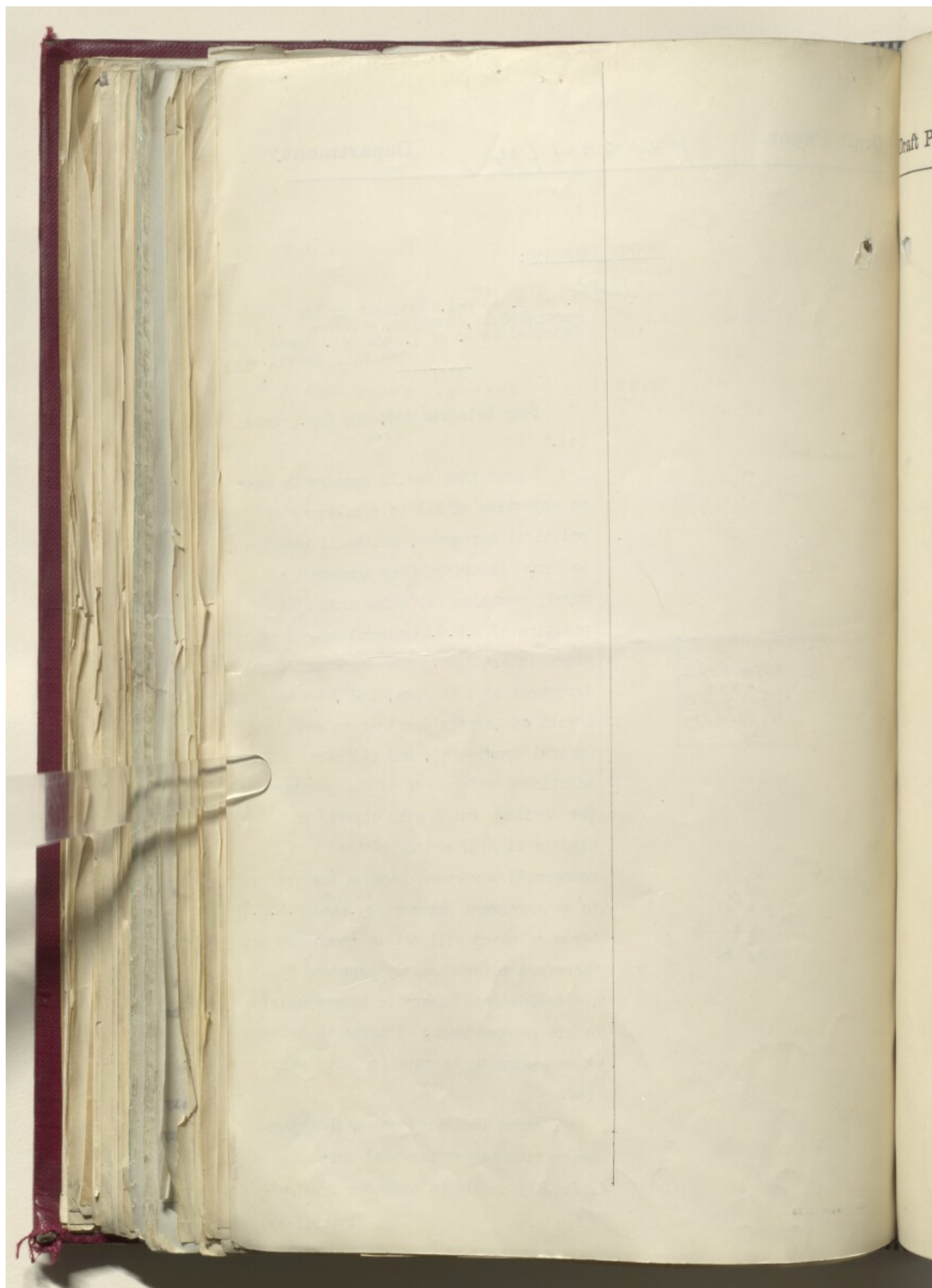
Send out 3/5/34

55 MAY 1934
Cm. 5
P. H. D.

1. I note that Sheikh appears to have no objection at all to provisions of political agreement, which all seem good to him. In effect this agreement merely contains (a) safeguards of the position of H.M.G. (general scheme of which is similar to those contained in agreement of 12th June, 1930, between Sheikh of Bahrein and Eastern and General Syndicate), and (b) certain additional safeguards of the position of the Sheikh. But Sheikh objects to Clauses 11 A(d) and 20 of the commercial agreement because they refer to an agreement between Coy. and H.M.G., terms of which will not be known and may therefore be erroneously supposed by his fellow Arab Rulers to be prejudicial to his independence. I agree that there is something to be said for this point of view.

3. I agree that Dickson should approach Sheikh with suggestion that this difficulty should be overcome by the

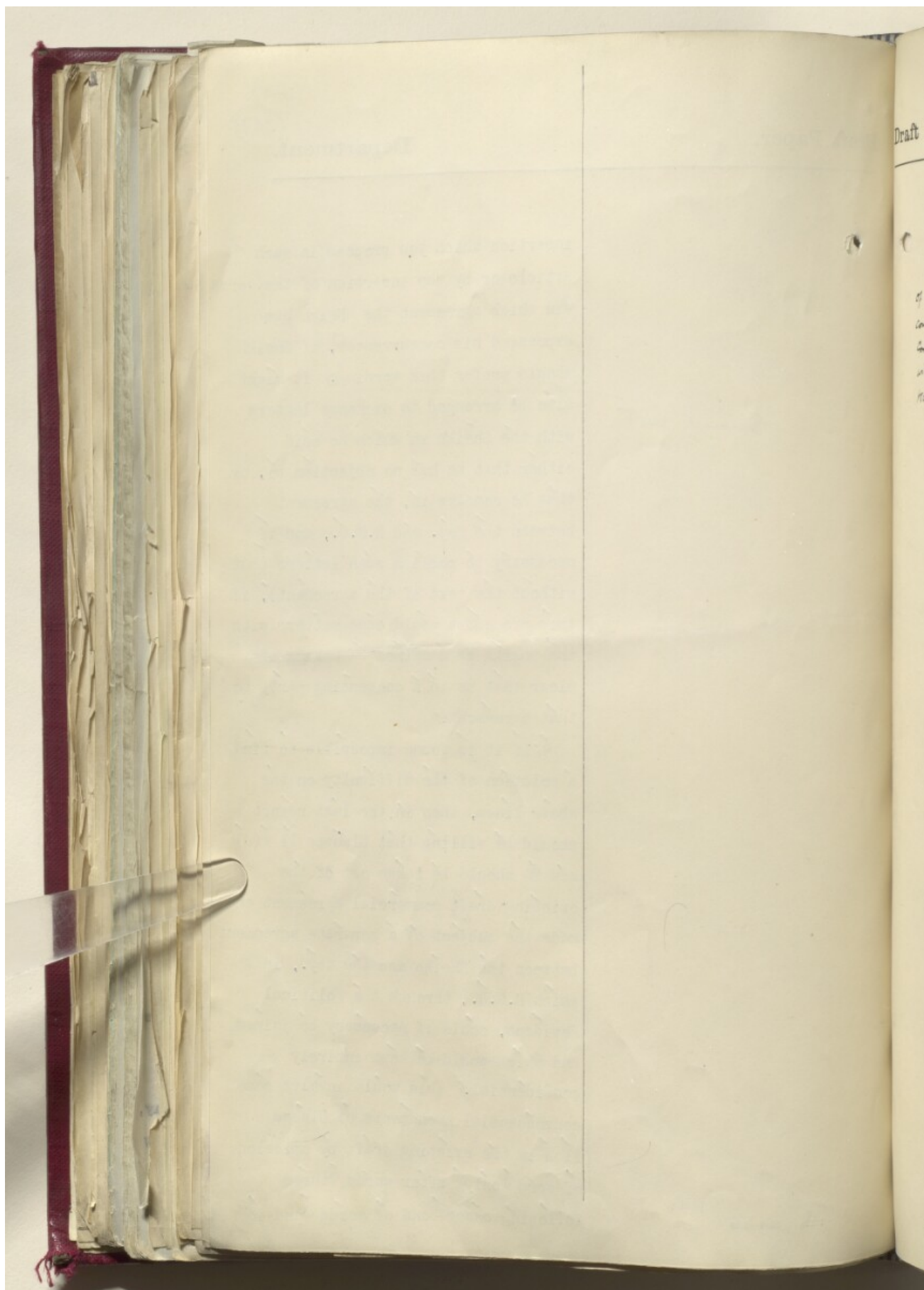
insertion



Department.

4. If it is found impossible to find a solution of the difficulty on the above lines, then in the last resort I should be willing that Clauses 11 A(d) and 20 should be taken out of the existing draft commercial agreement and made the subject of a separate agreement between the Sheikh and the Coy., in which H.M.G., through the Political Resident, could if necessary be joined, and which would be kept entirely confidential. This would involve some consequential amendments of Clause 11 A in the existing draft by omission of word "only" after words "three following cases" and of words "and in

no/





Draft Paper.

Department.

of such separate confidential agreement
could be held in consultation with the
Company here & fully reflect to the
with a view to its conclusion at
Hawtat

Third and last
part

no other²⁵³ after the above mentioned
cases²⁶⁸ if this solution *here* is adopted, terms

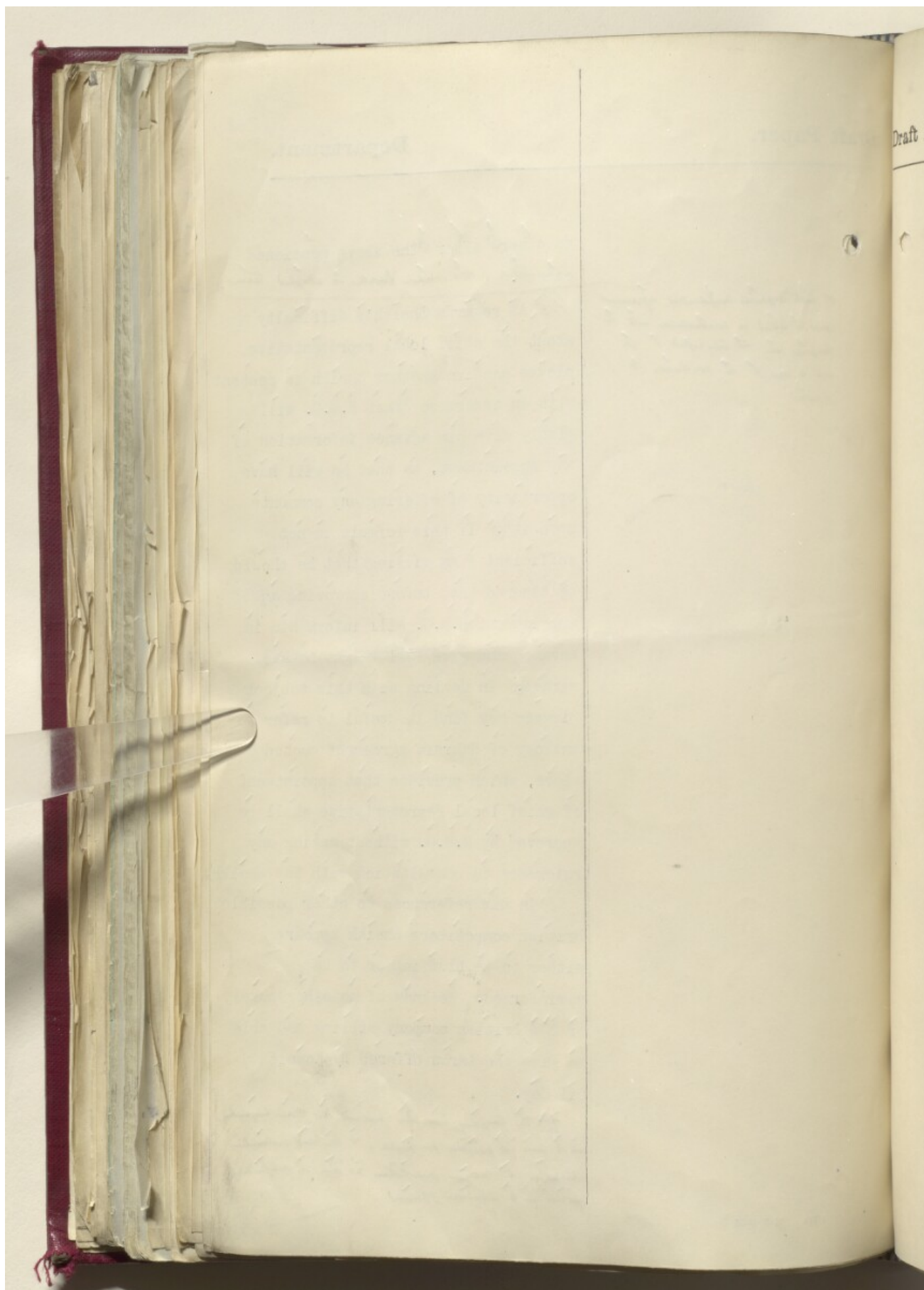
5. As regards Sheikh's difficulty
about the chief local representative,
please confirm whether Sheikh is content
with an assurance "that H.M.G. will
gladly give him advance information of
any appointment, so that he will have
opportunity of offering any comments
upon it". If this formula is not
sufficient I am willing that he should
be assured that before approving an
appointment H.M.G. will inform him in
advance and give full weight to his
wishes. In dealing with this subject
Dickson may find it useful to refer to
analogy of Bahrein agreement quoted
above, which provides that appointment
of chief local representative shall be
approved by H.M.G. without making any
reference to consultation with the Sheikh.

6. In his references to other possible
British competitors Sheikh appears
either to be bluffing or to be
misinformed. We know of no other purely,
or 50% British company willing and able
to give the terms offered by Koweit
Oil Coy.

7. The Company have been informed that I am telegraphing
in to some of the preceding paragraphs, & they are instructing
Chapman to resume negotiations at once on outstanding
points in the commercial agreement.

17124 5000 3.33

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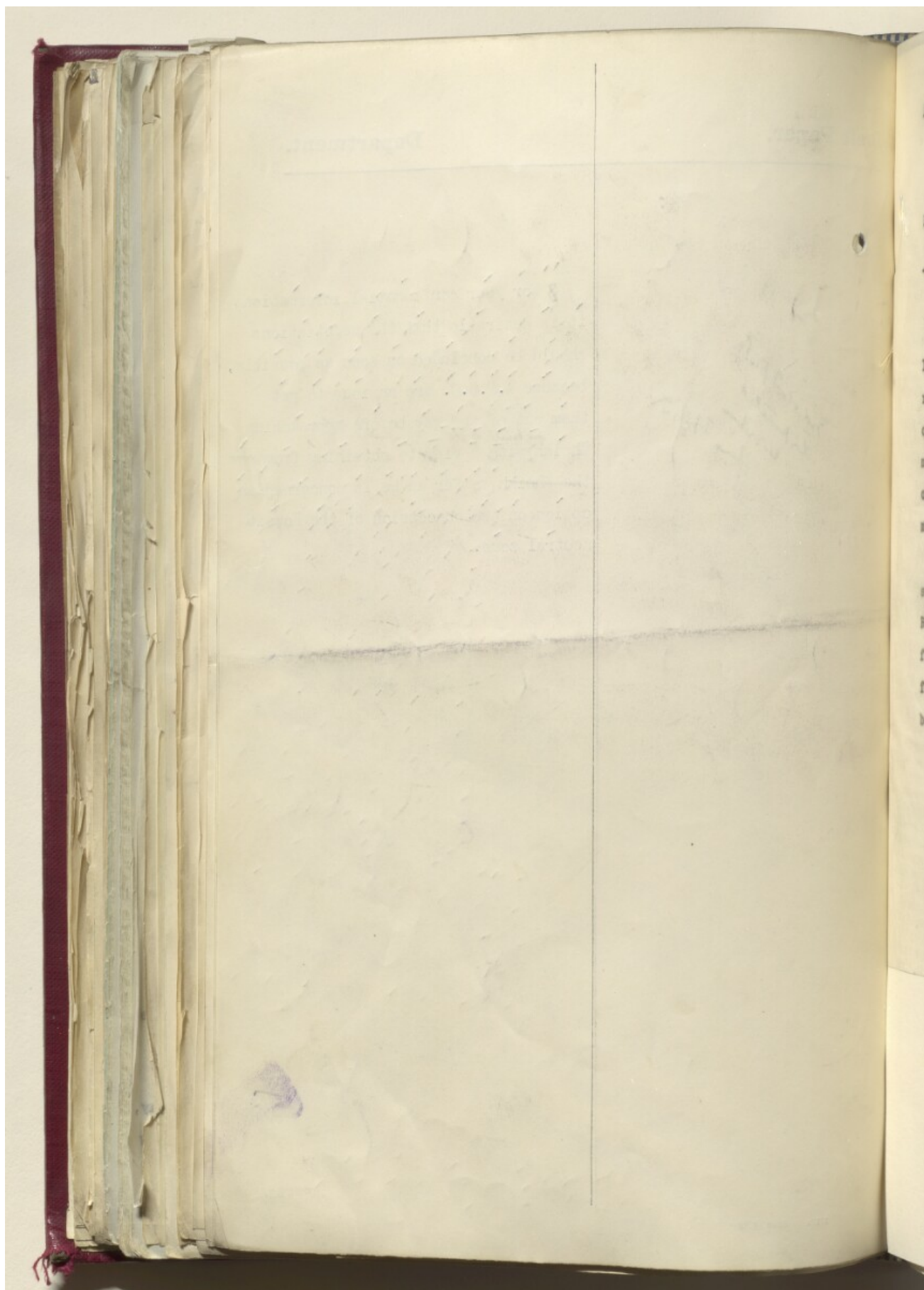
Draft Paper.

Department.

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For your confidential information it is desirable that the negotiations should be concluded as soon as possible, because A.P.O.C. are anxious to get them out of the way before approaching Sheikh ^{on behalf of I.P.C.} with a view to obtaining from him the Sheikh (so far as he is concerned) an option on the concession of the Koweit neutral zone.

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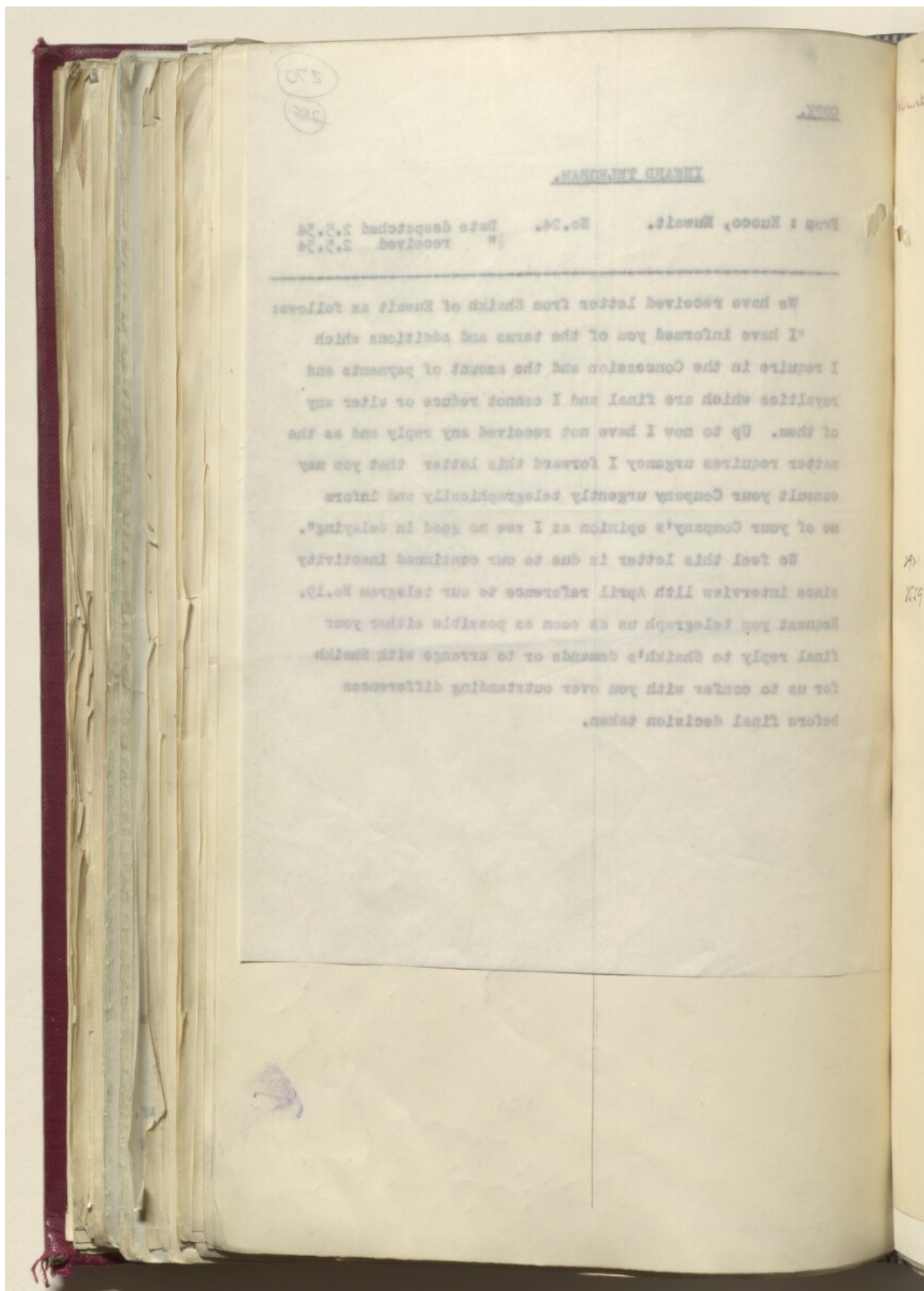
INWARD TELEGRAM.

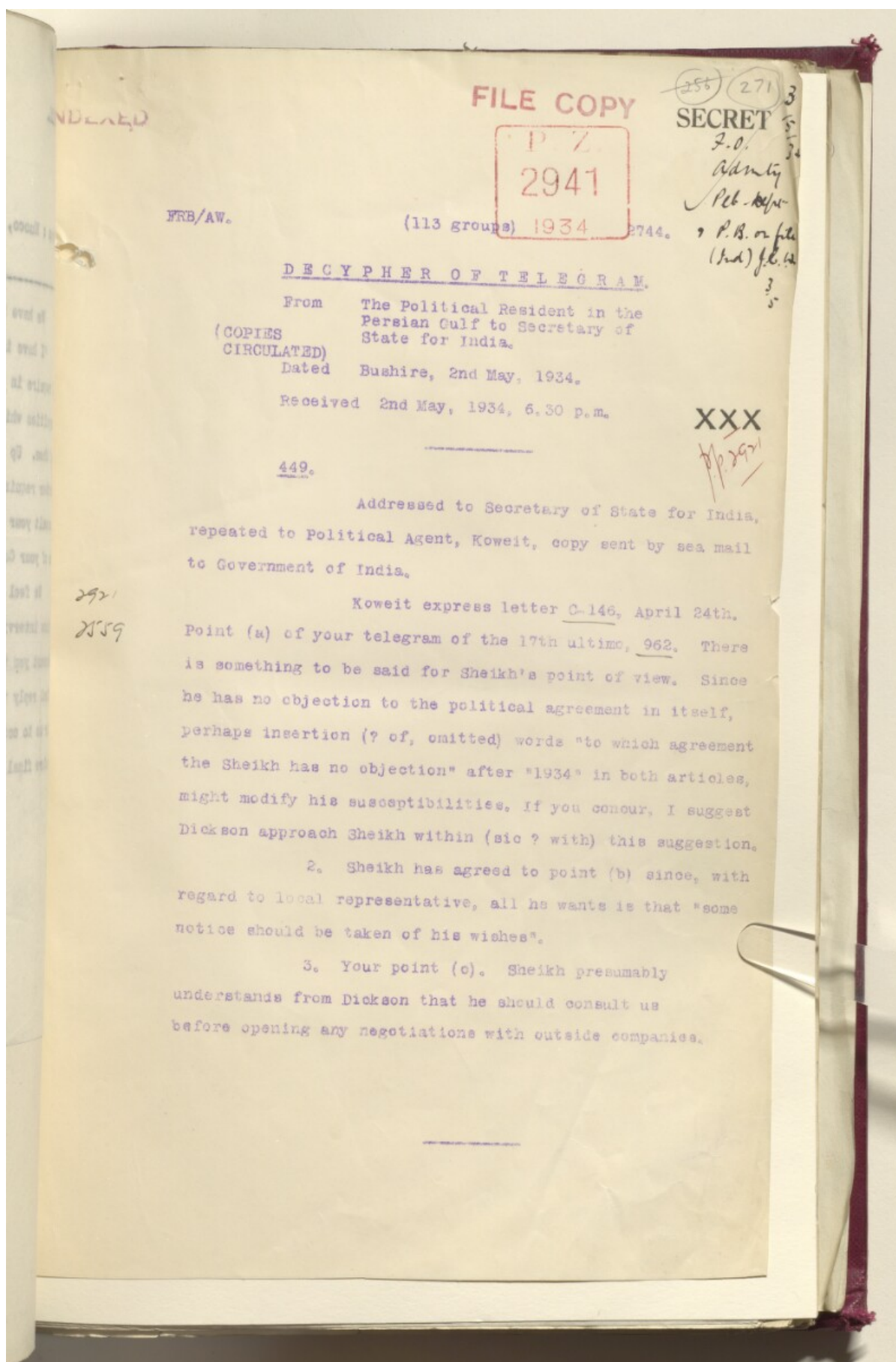
From : Kuoco, Kuwait. No.24. Date despatched 2.5.34
received 2.5.34

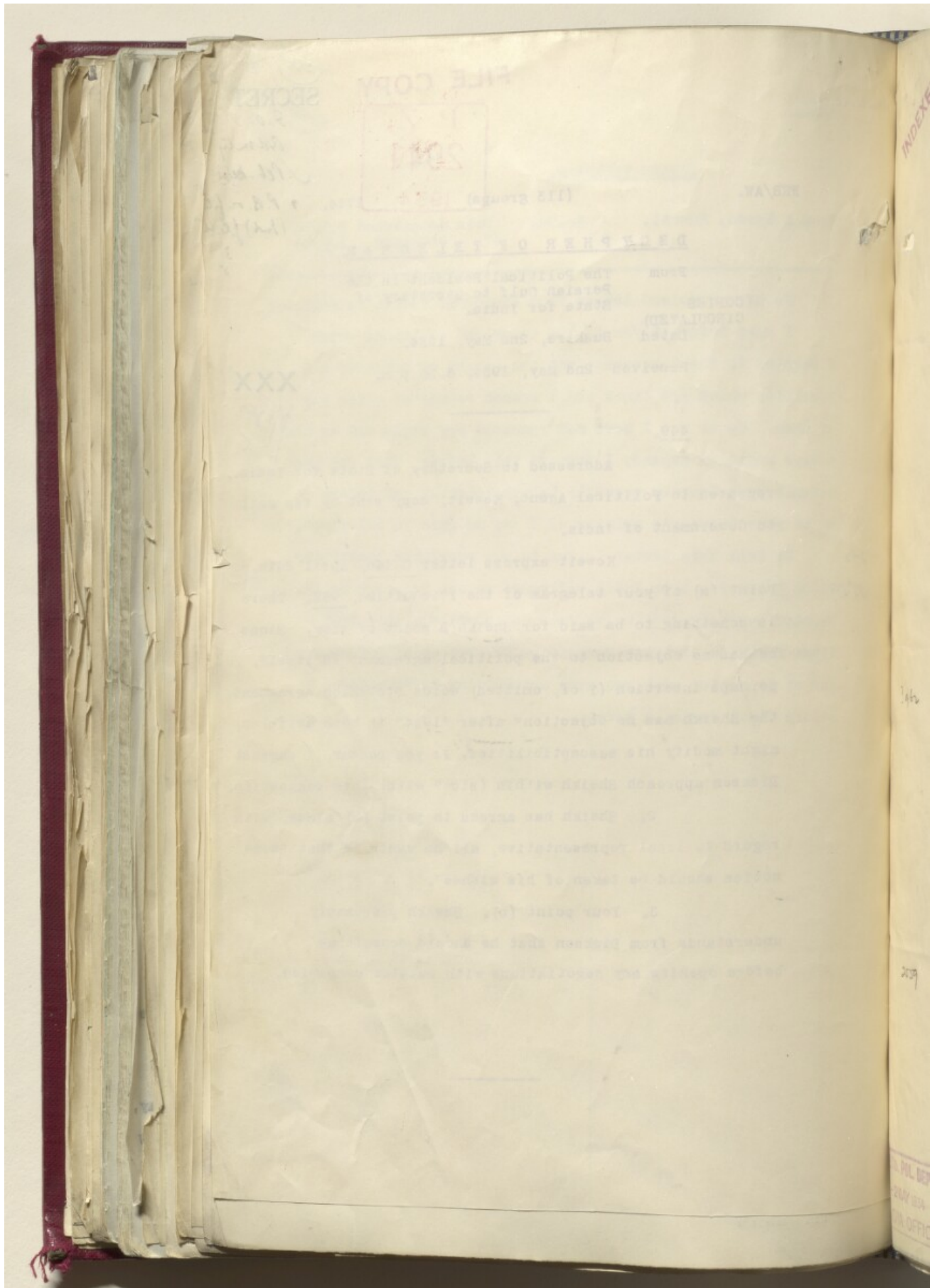
We have received letter from Shaikh of Kuwait as follows:

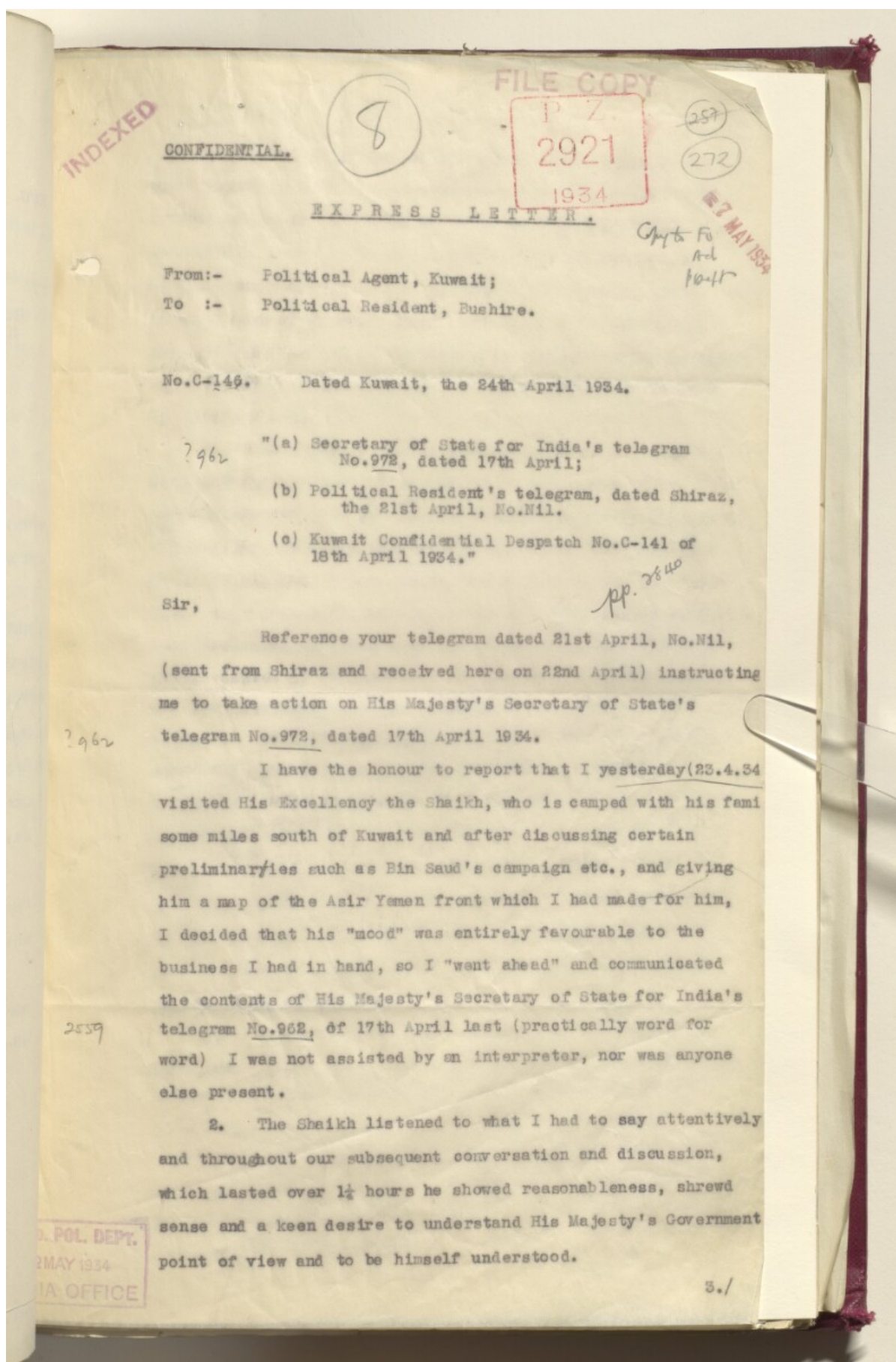
"I have informed you of the terms and additions which I require in the Concession and the amount of payments and royalties which are final and I cannot reduce or alter any of them. Up to now I have not received any reply and as the matter requires urgency I forward this letter that you may consult your Company urgently telegraphically and inform me of your Company's opinion as I see no good in delaying".

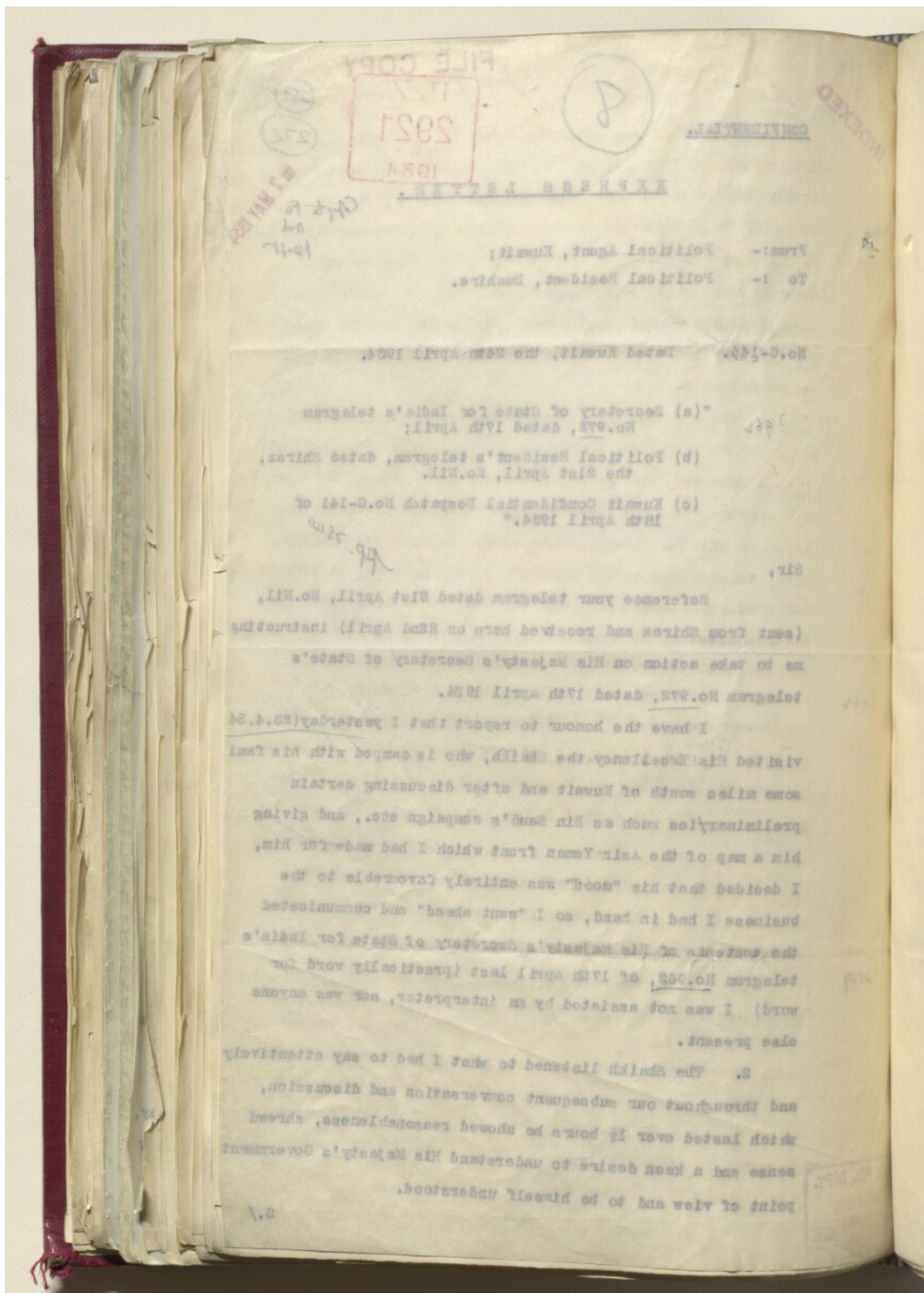
We feel this letter is due to our continued inactivity since interview 11th April reference to our telegram No.19. Request you telegraph us as soon as possible either your final reply to Shaikh's demands or to arrange with Shaikh for us to confer with you over outstanding differences before final decision taken.













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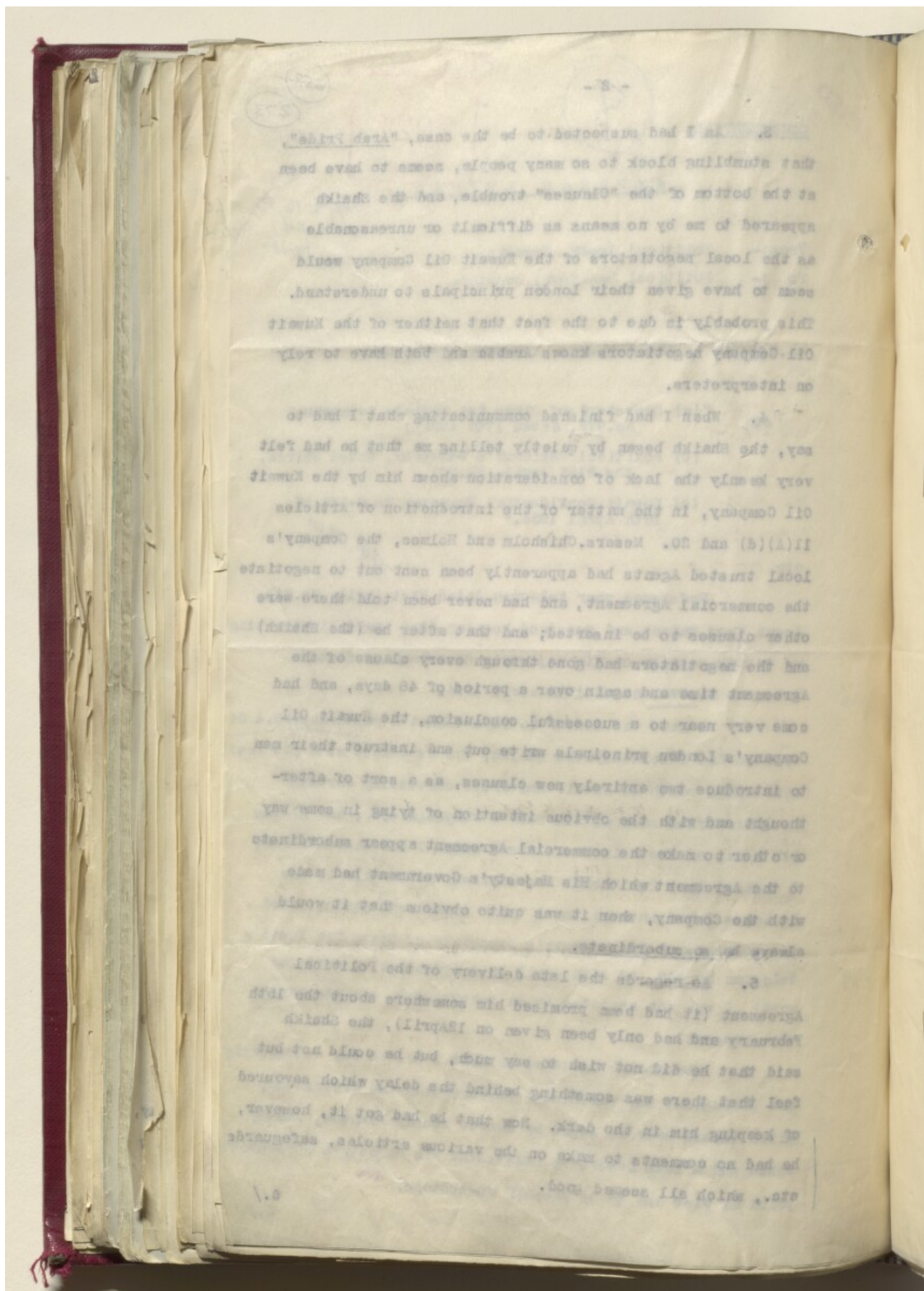
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3. As I had suspected to be the case, "Arab Pride", that stumbling block to so many people, seems to have been at the bottom of the "Clauses" trouble, and the Shaikh appeared to me by no means as difficult or unreasonable as the local negotiators of the Kuwait Oil Company would seem to have given their London principals to understand. This probably is due to the fact that neither of the Kuwait Oil Company negotiators knows Arabic and both have to rely on interpreters.

4. When I had finished communicating what I had to say, the Shaikh began by quietly telling me that he had felt very keenly the lack of consideration shown him by the Kuwait Oil Company, in the matter of the introduction of Articles 11(A)(d) and 20. Messrs. Chisholm and Holmes, the Company's local trusted Agents had apparently been sent out to negotiate the commercial Agreement, and had never been told there were other clauses to be inserted; and that after he (the Shaikh) and the negotiators had gone through every clause of the Agreement time and again over a period of 48 days, and had come very near to a successful conclusion, the Kuwait Oil Company's London principals write out and instruct their men to introduce two entirely new clauses, as a sort of after-thought and with the obvious intention of tying in some way or other to make the commercial Agreement appear subordinate to the Agreement which His Majesty's Government had made with the Company, when it was quite obvious that it would always be so subordinate.

5. As regards the late delivery of the Political Agreement (it had been promised him somewhere about the 15th February and had only been given on 12 April), the Shaikh said that he did not wish to say much, but he could not but feel that there was something behind the delay which savoured of keeping him in the dark. Now that he had got it, however, he had no comments to make on the various articles, safeguards etc., which all seemed good.

6./





- 3 -

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6. The Shaikh then turned to points (a), (b) and (c) of the Secretary of States telegram under reference, and I give below and in some detail his reactions.

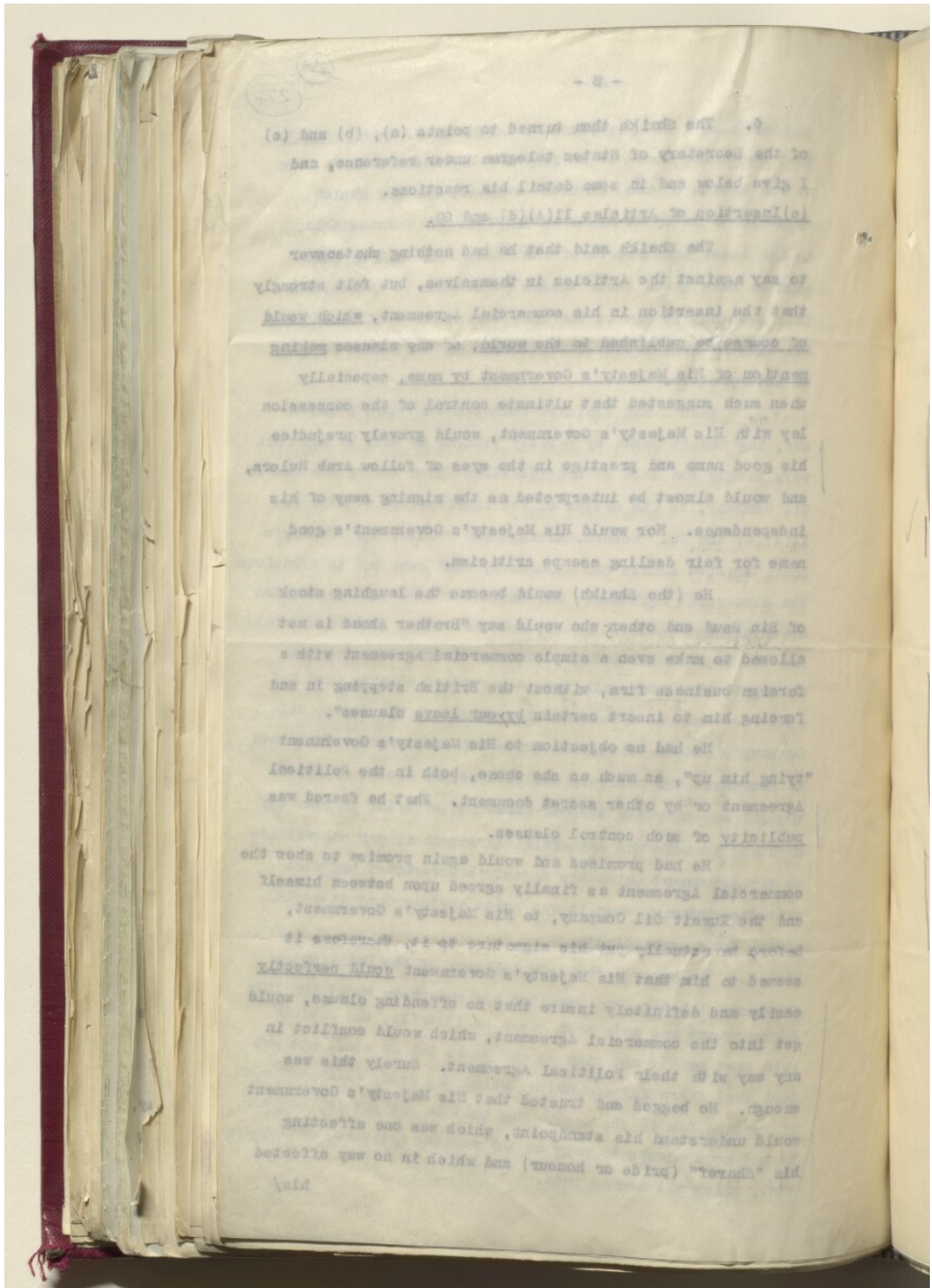
(a) Insertion of Articles 11(A)(d) and 20.

The Shaikh said that he had nothing whatsoever to say against the Articles in themselves, but felt strongly that the insertion in his commercial Agreement, which would of course be published to the world, of any clauses making mention of His Majesty's Government by name, especially when such suggested that ultimate control of the concession lay with His Majesty's Government, would gravely prejudice his good name and prestige in the eyes of fellow Arab Rulers, and would almost be interpreted as the signing away of his independence. Nor would His Majesty's Government's good name for fair dealing escape criticism.

He (the Shaikh) would become the laughing stock of Bin Saud and others who would say "Brother Ahmad is not allowed to make even a simple commercial Agreement with a foreign business firm, without the British stepping in and forcing him to insert certain by our leave clauses".

He had no objection to His Majesty's Government "tying him up", as much as she chose, both in the Political Agreement or by other secret document. What he feared was publicity of such control clauses.

He had promised and would again promise to show the commercial Agreement as finally agreed upon between himself and the Kuwait Oil Company, to His Majesty's Government, before he actually put his signature to it, therefore it seemed to him that His Majesty's Government could perfectly easily and definitely insure that no offending clause, would get into the commercial Agreement, which would conflict in any way with their Political Agreement. Surely this was enough. He begged and trusted that His Majesty's Government would understand his standpoint, which was one affecting his "Sharaf" (pride or honour) and which in no way affected his/





- 4 -

his loyalty, or his desire to please His Majesty's Government.
(b) Local Representative.

The negotiators had clearly misunderstood him, said the Shaikh. All that he had wished to insure (in making his verbal request to the negotiators) was that he should not be "ridden rough shod over" (his words) and that a person who was ignorant of the Arabic language, or Arab Customs or was actually a persona non grata to himself, should not be appointed as the Company's local Representative. He merely desired that the selection of such local Representative should be made by His Majesty's Government and the Company in full consultation with himself, and that if he did not like a man or conversely liked a particular person, some notice should be taken of his wishes. This, said the Shaikh, was after all his undoubted right as Ruler of the State and as the "granter of the concession".

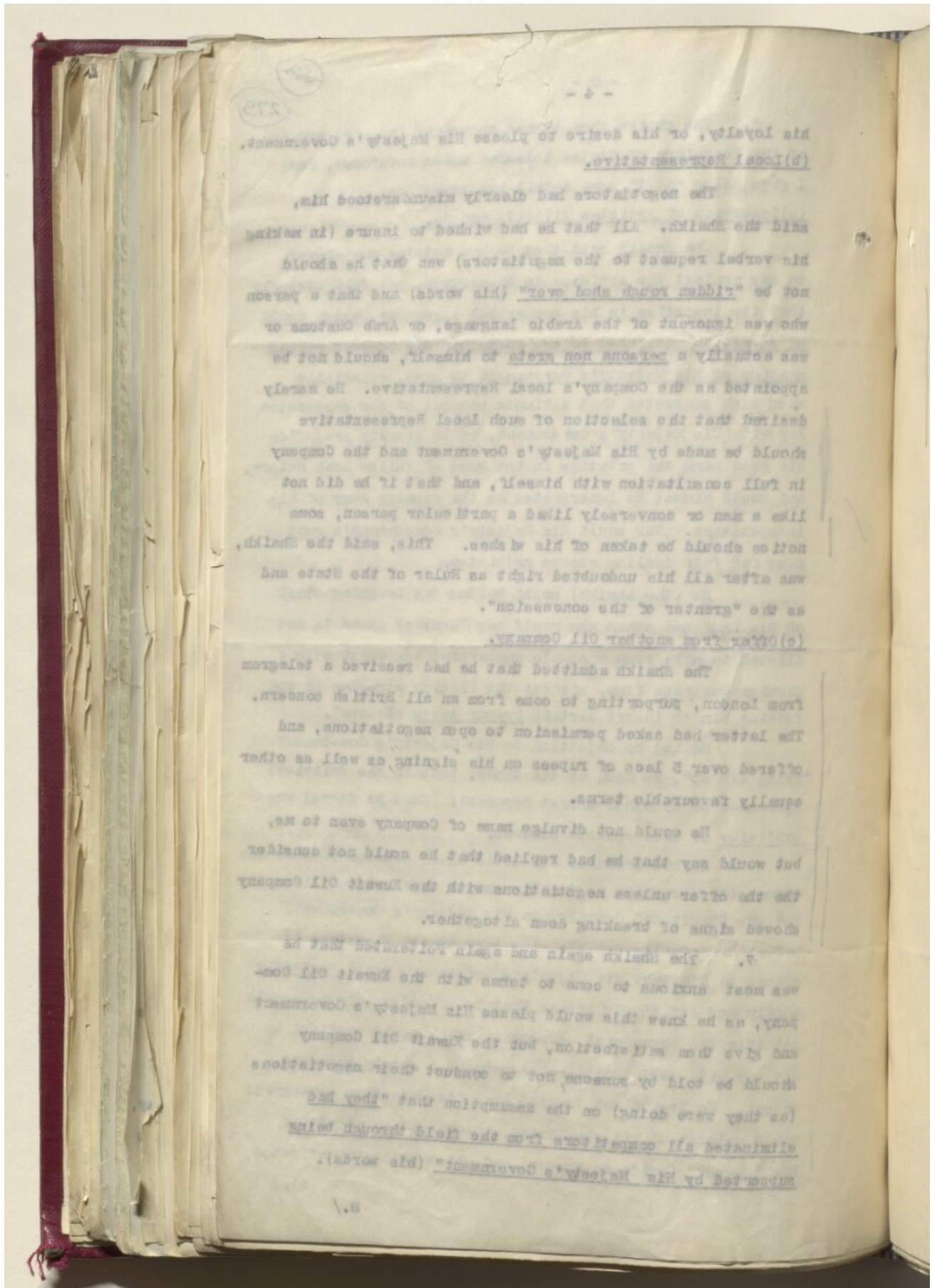
(c) Offer from another Oil Company.

The Shaikh admitted that he had received a telegram from London, purporting to come from an all British concern. The latter had asked permission to open negotiations, and offered over 5 lacs of rupees on his "signing", as well as other equally favourable terms.

He could not divulge name of Company even to me, but would say that he had replied that he could not consider the offer unless negotiations with the Kuwait Oil Company showed signs of breaking down altogether.

7. The Shaikh again and again reiterated that he was most anxious to come to terms with the Kuwait Oil Company, as he knew this would please His Majesty's Government and give them satisfaction, but the Kuwait Oil Company should be told by someone, not to conduct their negotiations (as they were doing) on the assumption that "they had eliminated all competitors from the field through being supported by His Majesty's Government" (his words).

8./





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(257)
(276)

8. The Shaikh went on to say that unless the Kuwait Oil Company hurried up and settled matters, other companies would clearly very shortly be coming along as competitors, all with good British credentials.

9. The Shaikh finally assured me that he perfectly well understood that only an all British or a 50/50 British Company would be allowed by His Majesty's Government to compete for the Kuwait Oil Concession, and said that the Standard Oil Company of California were out of the picture altogether and that I need not fear them.

10. Before leaving, I asked the Shaikh if he could not possibly as a personal favour to me and because he knew I wished him well, agree to the insertion of Article 11(A)(d) and 20, or at least one of them. I (rather unfairly perhaps) stressed the fact that by doing so, he would be winning His Majesty's Government's entire approbation.

The Shaikh in reply and with some emotion said he could not, and would prefer to have no Oil Concession at all than act against his own and his family's interests.

I have the honour to be,

Sir,

Your most obedient servant,

Sd. H.R.P. Dickson,

Lt.-Colonel,

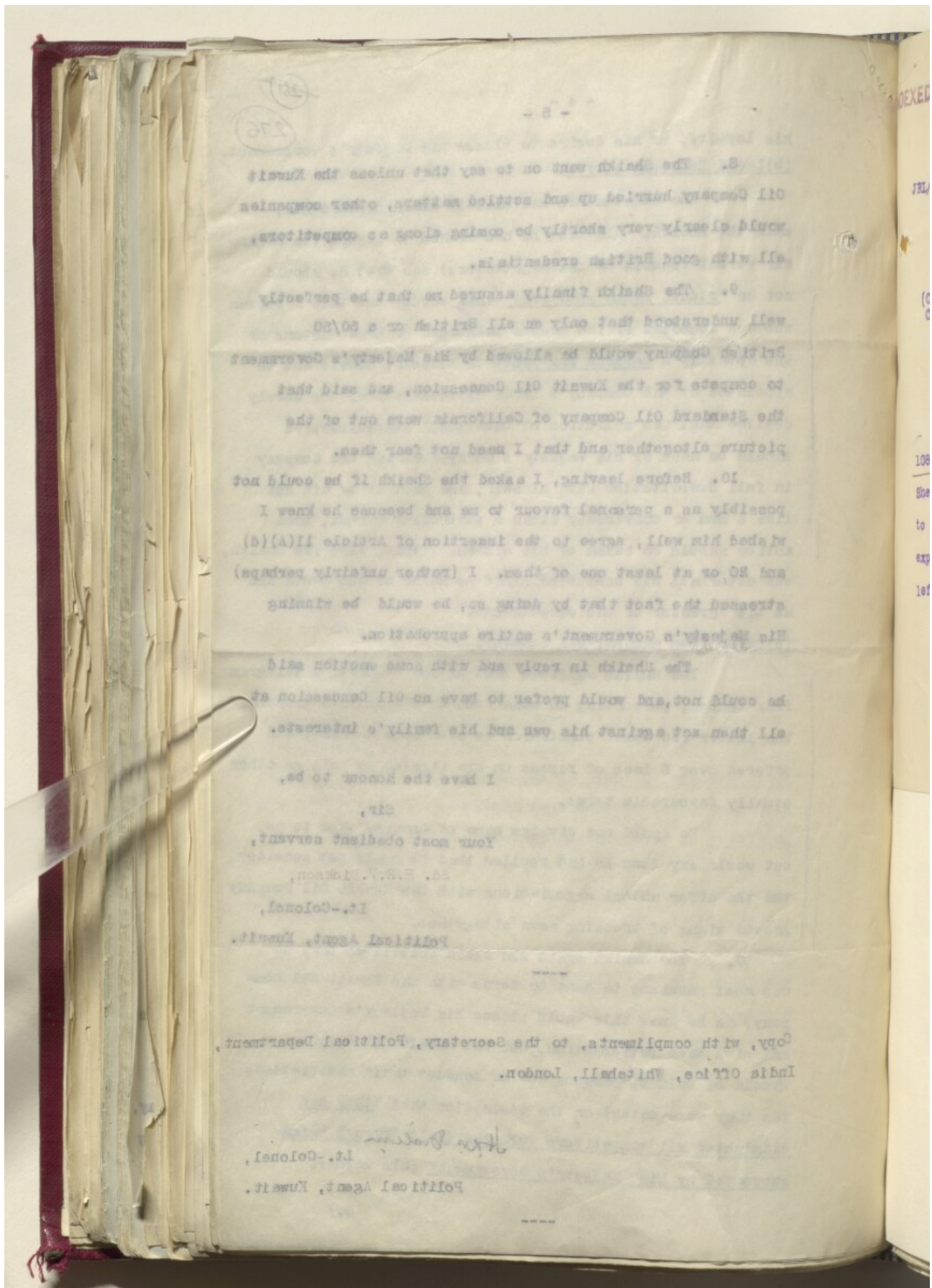
Political Agent, Kuwait.

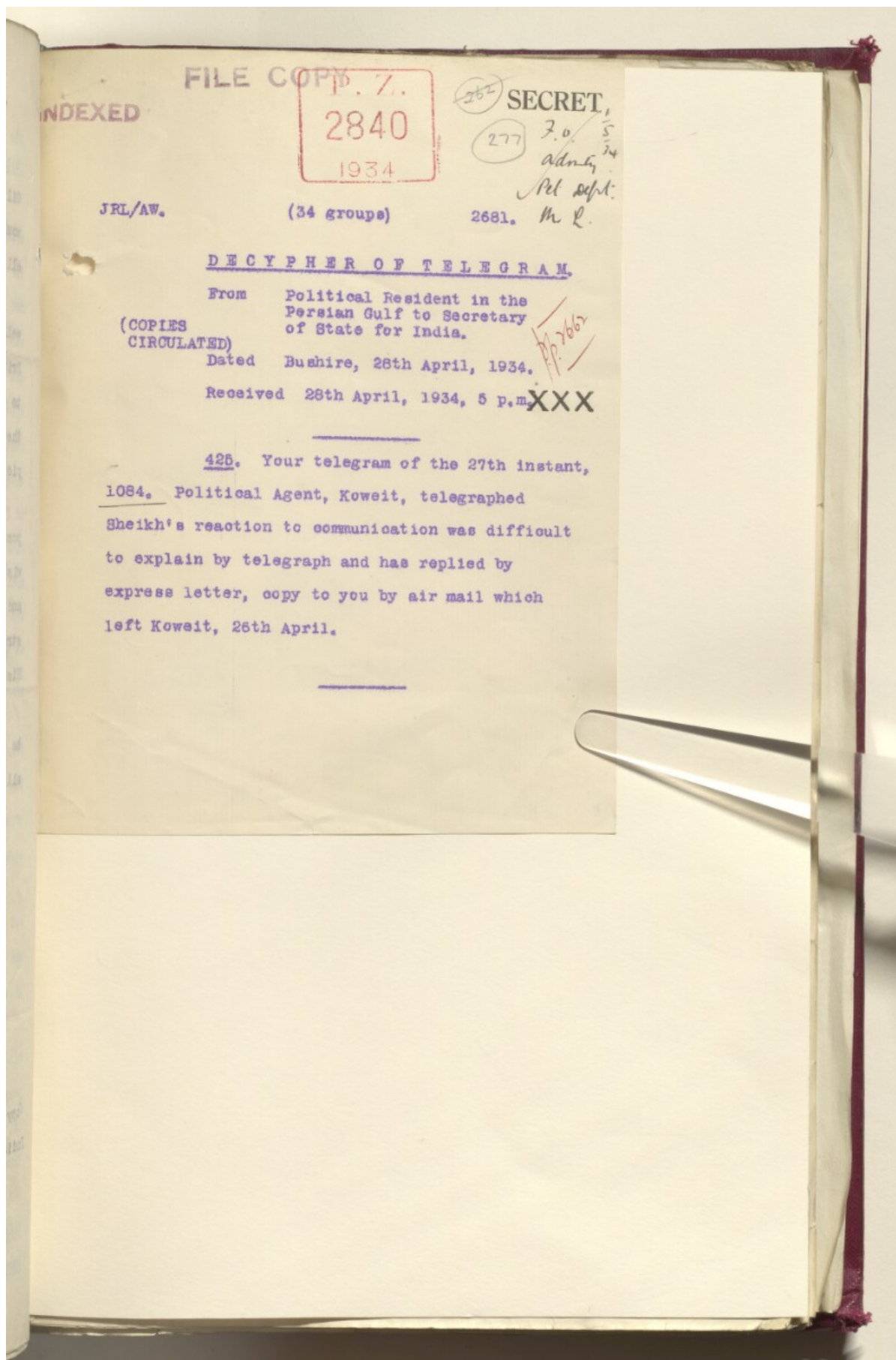
Copy, with compliments, to the Secretary, Political Department,
India Office, Whitehall, London.

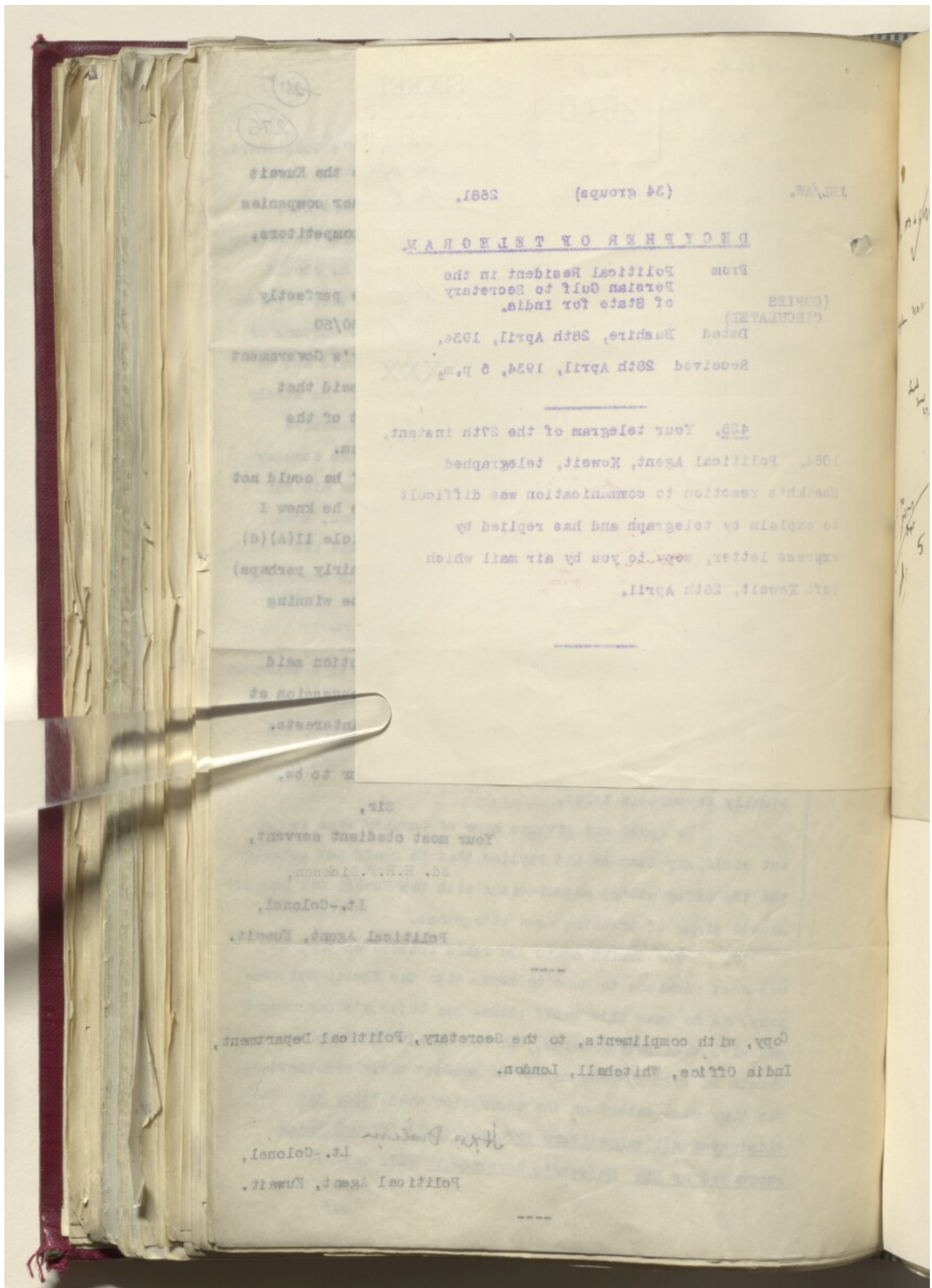
H.R.P. Dickson

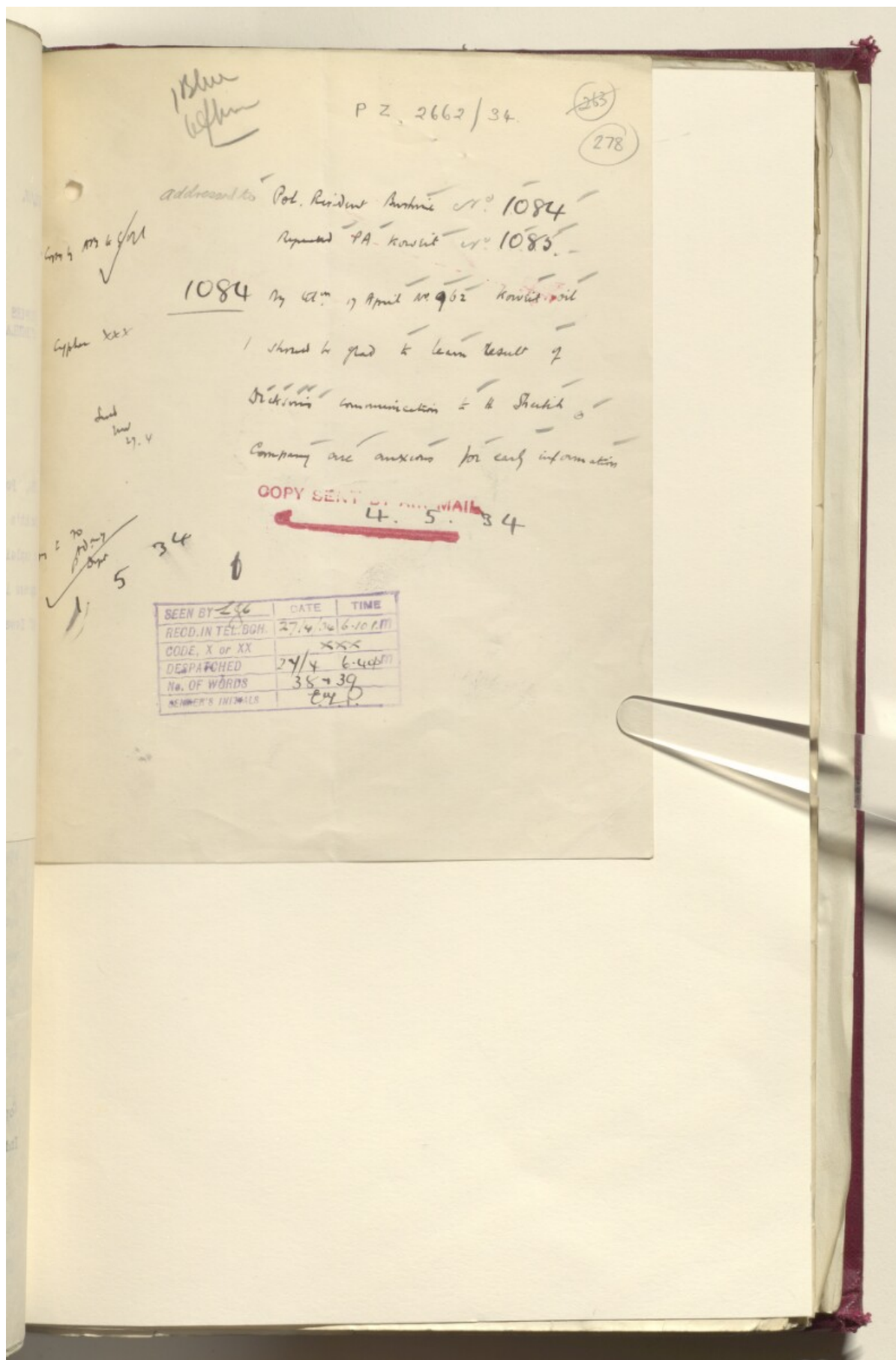
Lt.-Colonel,

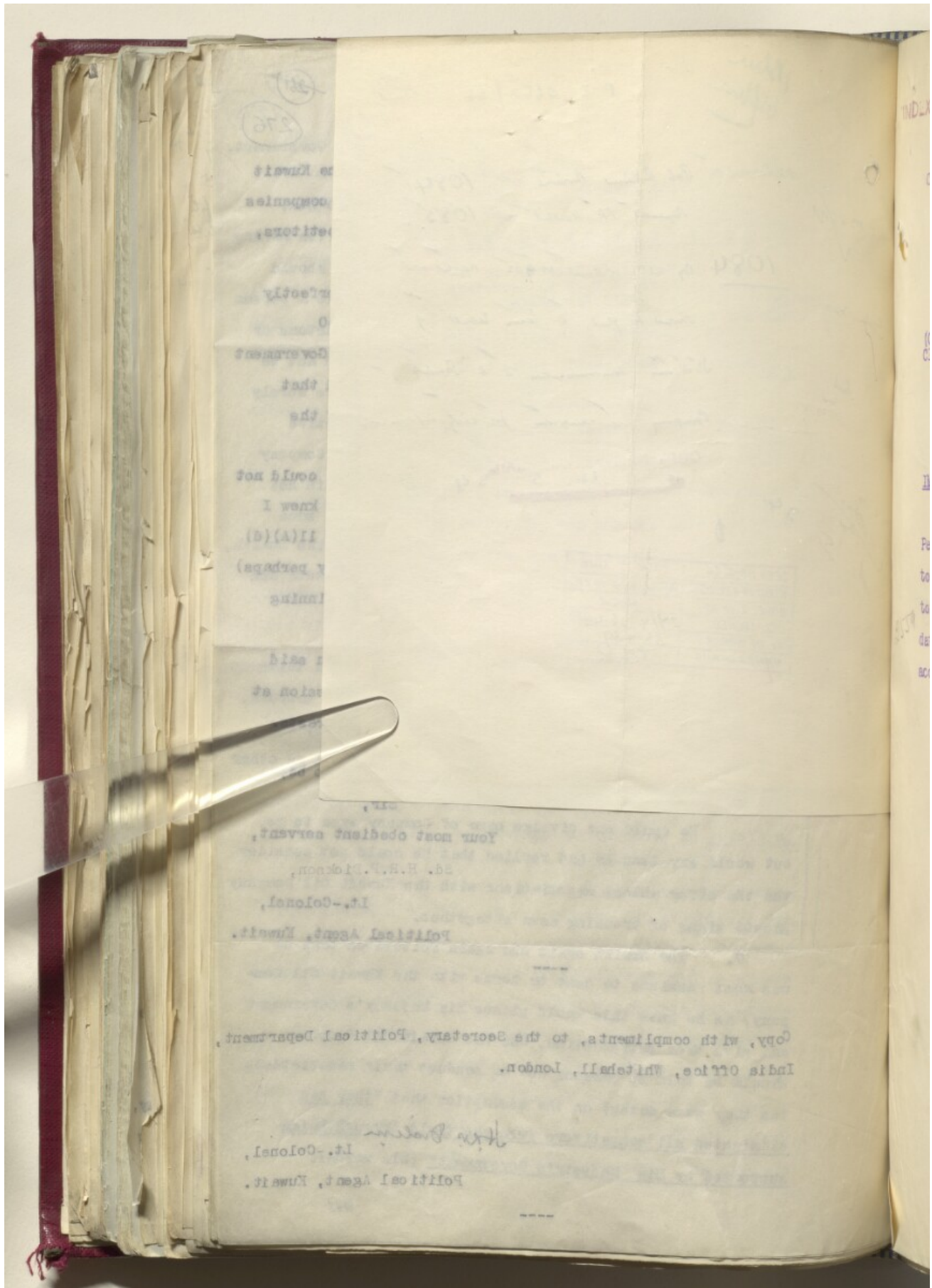
Political Agent, Kuwait.













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2545. (279)

DECYPHER OF TELEGRAM.

From His Britannic Majesty's
Consul, Shiraz to
Secretary of State for India.

(COPIES CIRCULATED) Dated Shiraz, 21st April, 1934.

Received 21st April, 1934, 11 a.m.

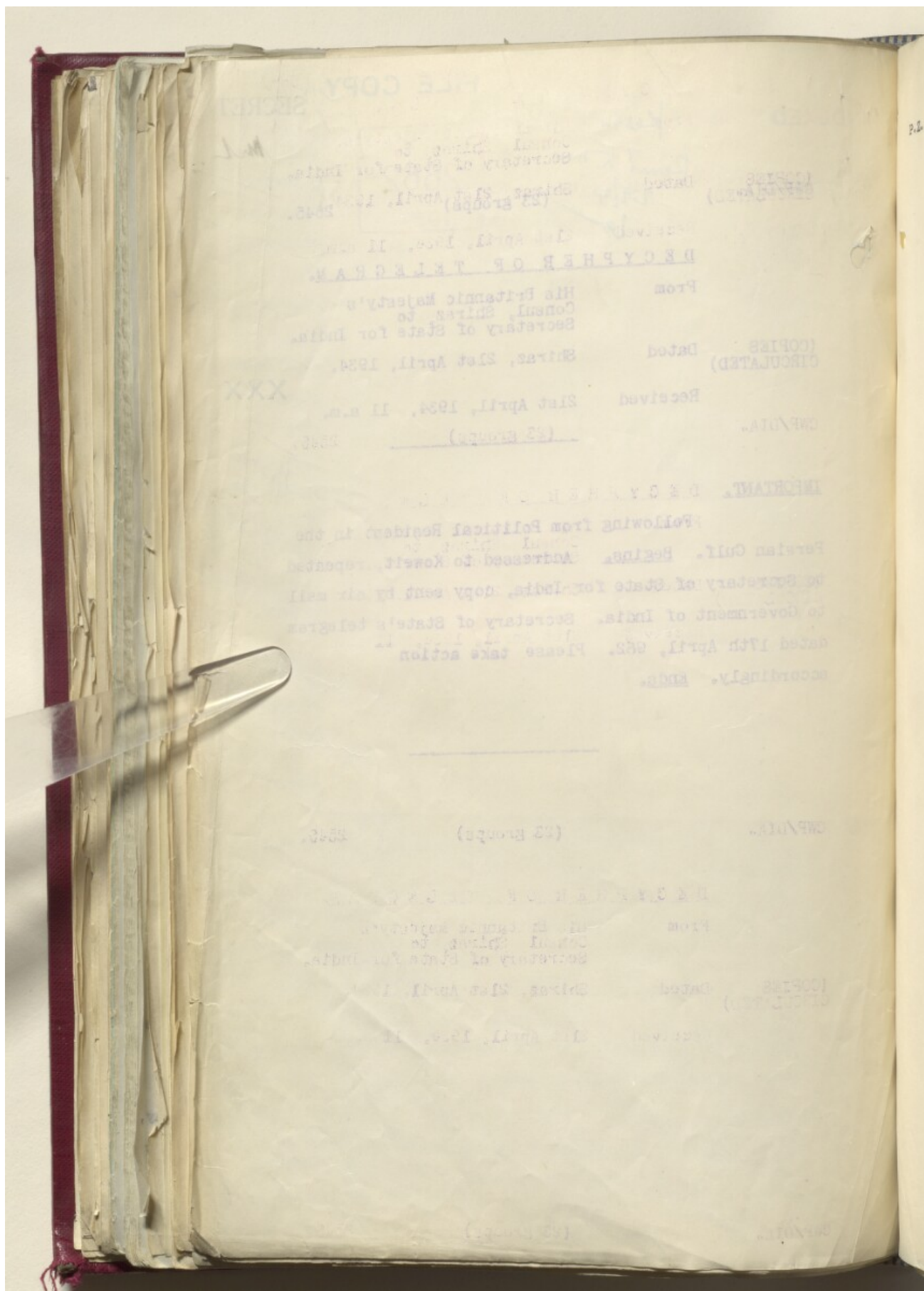
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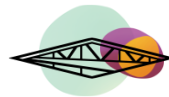
IMPORTANT.

Following from Political Resident in the
Persian Gulf. Begins. Addressed to Koweit, repeated
to Secretary of State for India, copy sent by air mail
to Government of India. Secretary of State's telegram
dated 17th April, 1934. Please take action
accordingly. Ends.

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P.Z. 2922/34.

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(280)

Extract Kuwait Intelligence Summary No.1 for period
1st April 1934 to 15th April 1934.

2. FOREIGNERS.

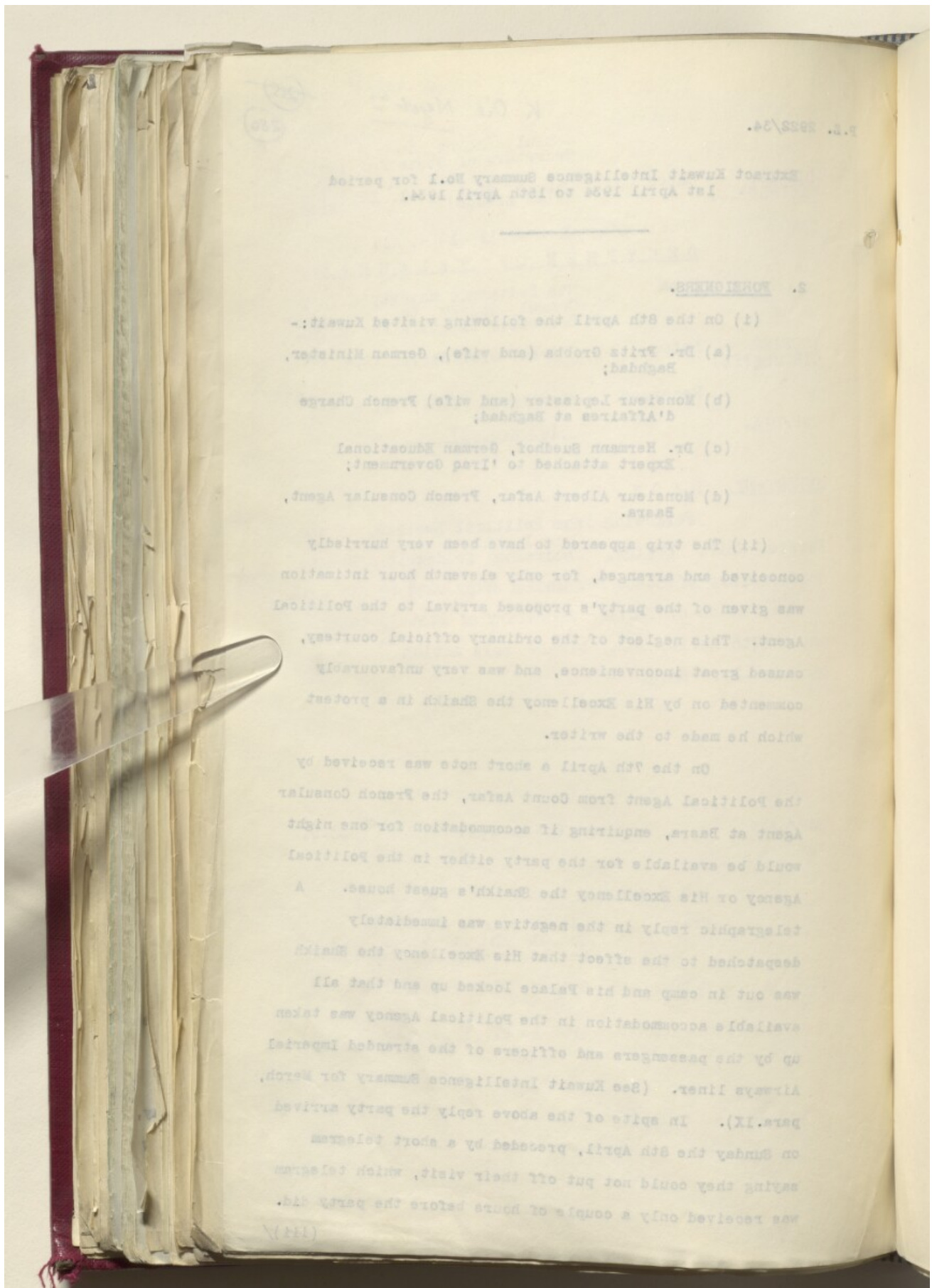
(i) On the 8th April the following visited Kuwait:-

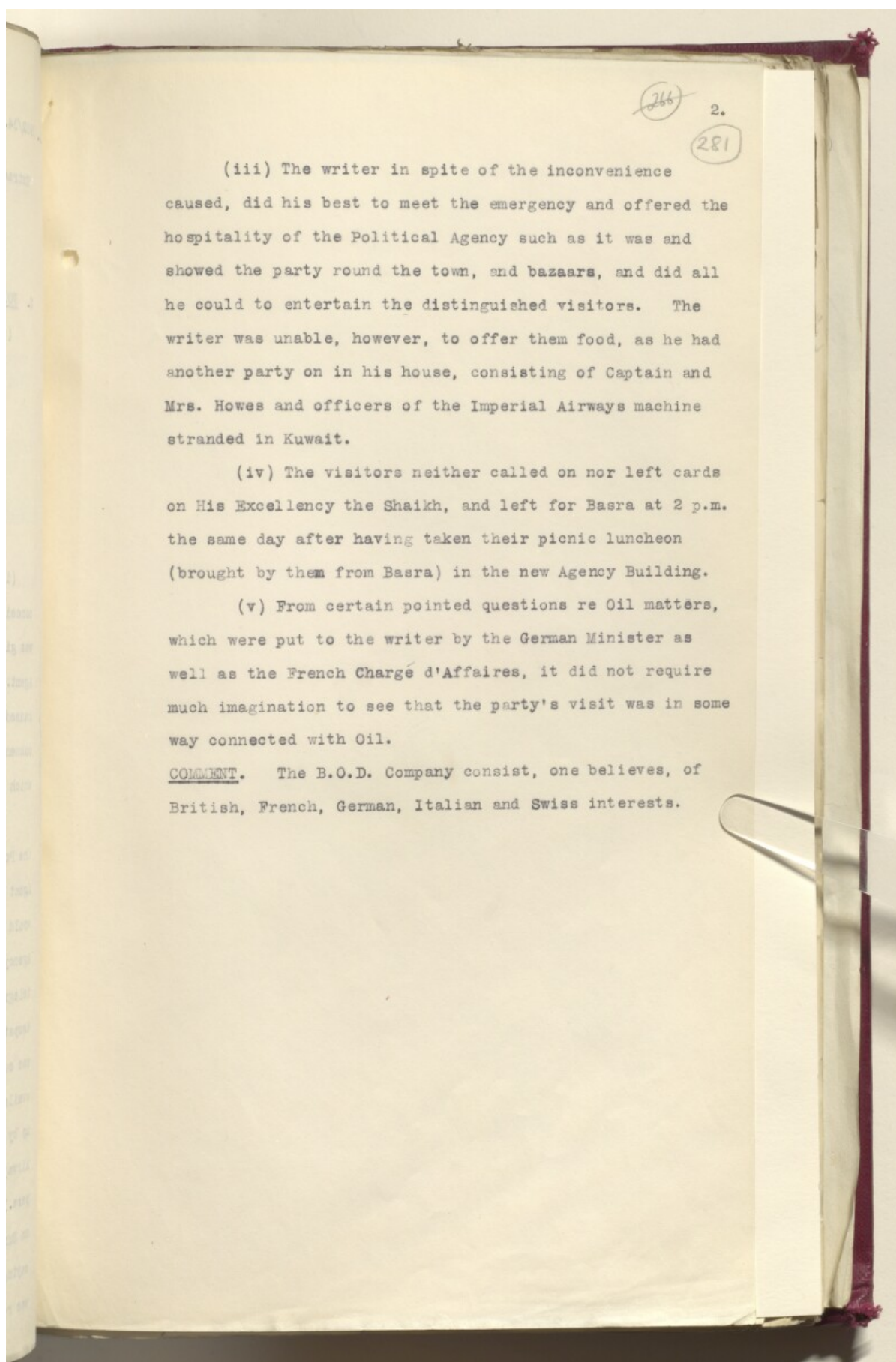
- (a) Dr. Fritz Grobba (and wife), German Minister, Baghdad;
- (b) Monsieur Lepissier (and wife) French Charge d'Affaires at Baghdad;
- (c) Dr. Hermann Suedhof, German Educational Expert attached to 'Iraq Government;
- (d) Monsieur Albert Asfar, French Consular Agent, Basra.

(ii) The trip appeared to have been very hurriedly conceived and arranged, for only eleventh hour intimation was given of the party's proposed arrival to the Political Agent. This neglect of the ordinary official courtesies, caused great inconvenience, and was very unfavourably commented on by His Excellency the Shaikh in a protest which he made to the writer.

On the 7th April a short note was received by the Political Agent from Count Asfar, the French Consular Agent at Basra, enquiring if accommodation for one night would be available for the party either in the Political Agency or His Excellency the Shaikh's guest house. A telegraphic reply in the negative was immediately despatched to the effect that His Excellency the Shaikh was out in camp and his Palace locked up and that all available accommodation in the Political Agency was taken up by the passengers and officers of the stranded Imperial Airways liner. (See Kuwait Intelligence Summary for March, para.IX). In spite of the above reply the party arrived on Sunday the 8th April, preceded by a short telegram saying they could not put off their visit, which telegram was received only a couple of hours before the party did.

(iii)/



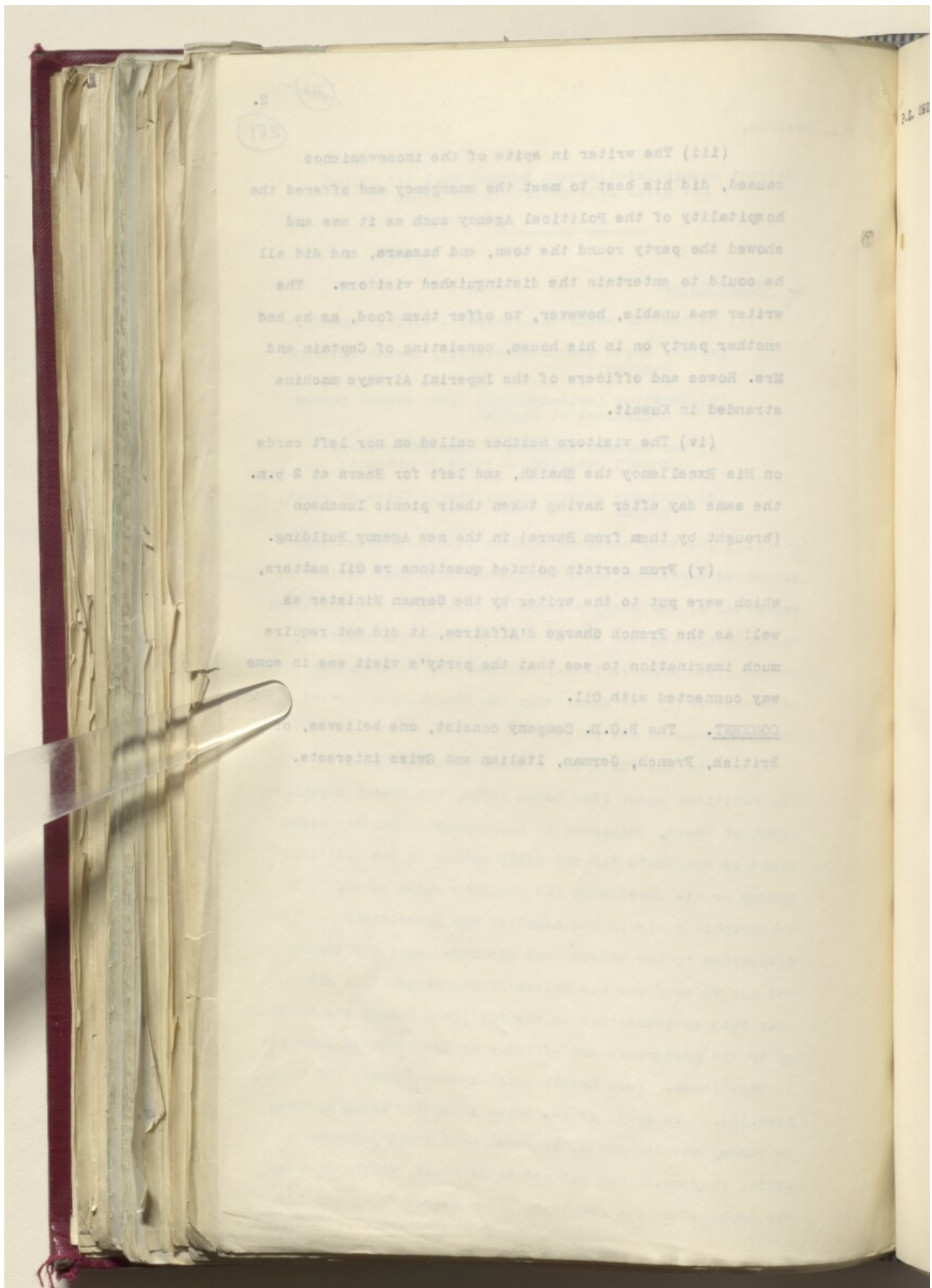


(iii) The writer in spite of the inconvenience caused, did his best to meet the emergency and offered the hospitality of the Political Agency such as it was and showed the party round the town, and bazaars, and did all he could to entertain the distinguished visitors. The writer was unable, however, to offer them food, as he had another party on in his house, consisting of Captain and Mrs. Howes and officers of the Imperial Airways machine stranded in Kuwait.

(iv) The visitors neither called on nor left cards on His Excellency the Shaikh, and left for Basra at 2 p.m. the same day after having taken their picnic luncheon (brought by them from Basra) in the new Agency Building.

(v) From certain pointed questions re Oil matters, which were put to the writer by the German Minister as well as the French Charge d'Affaires, it did not require much imagination to see that the party's visit was in some way connected with Oil.

COMMENT. The B.O.D. Company consist, one believes, of British, French, German, Italian and Swiss interests.





P.Z. 2922/34.

K. oil.

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Extract Kuwait Intelligence Summary No.1 for period
1st April 1934 to 15th April, 1934.

OIL INTERESTS.

15. (i) The Oil negotiations which have since February 22nd of this year been proceeding smoothly between the Kuwait Oil Company and the Shaikh of Kuwait reached somewhat of a deadlock on 12th April.

(ii) Apparently on 10th April the Kuwait Oil Company negotiators acting on instructions from their London principals asked the Shaikh to insert two new articles in what is known as the Commercial Agreement, and the Shaikh replied declining to do so.

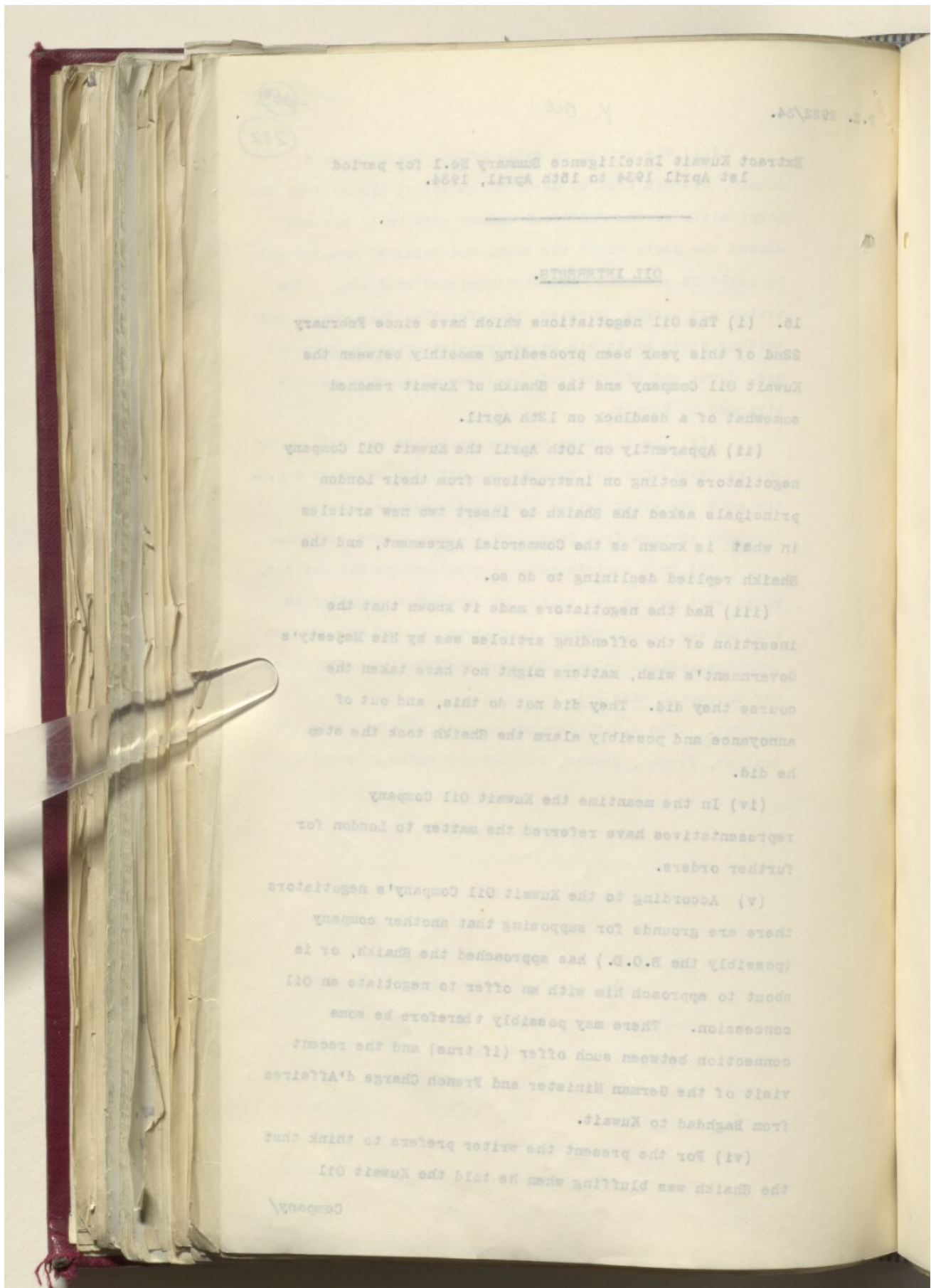
(iii) Had the negotiators made it known that the insertion of the offending articles was by His Majesty's Government's wish, matters might not have taken the course they did. They did not do this, and out of annoyance and possibly alarm the Shaikh took the step he did.

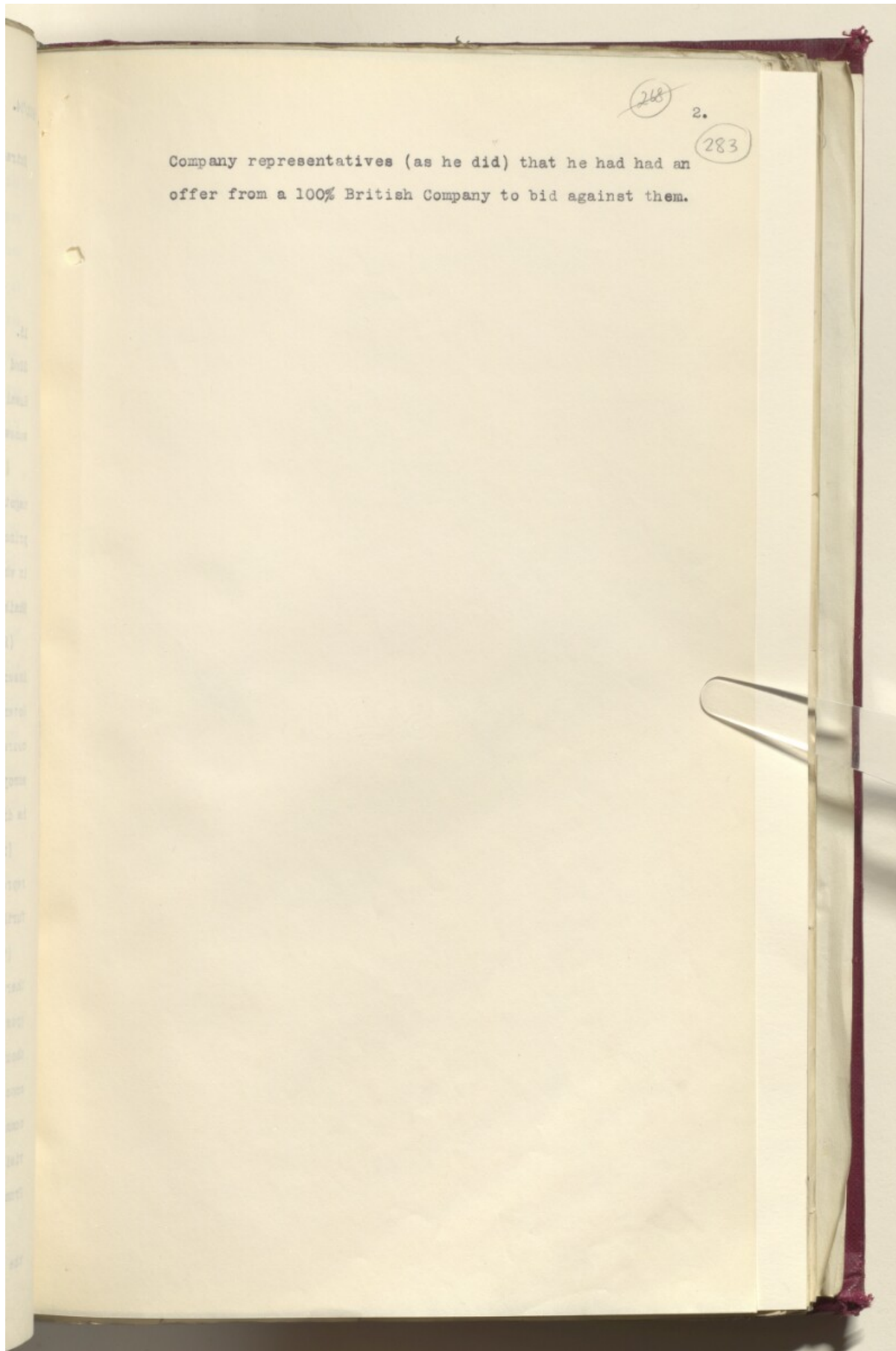
(iv) In the meantime the Kuwait Oil Company representatives have referred the matter to London for further orders.

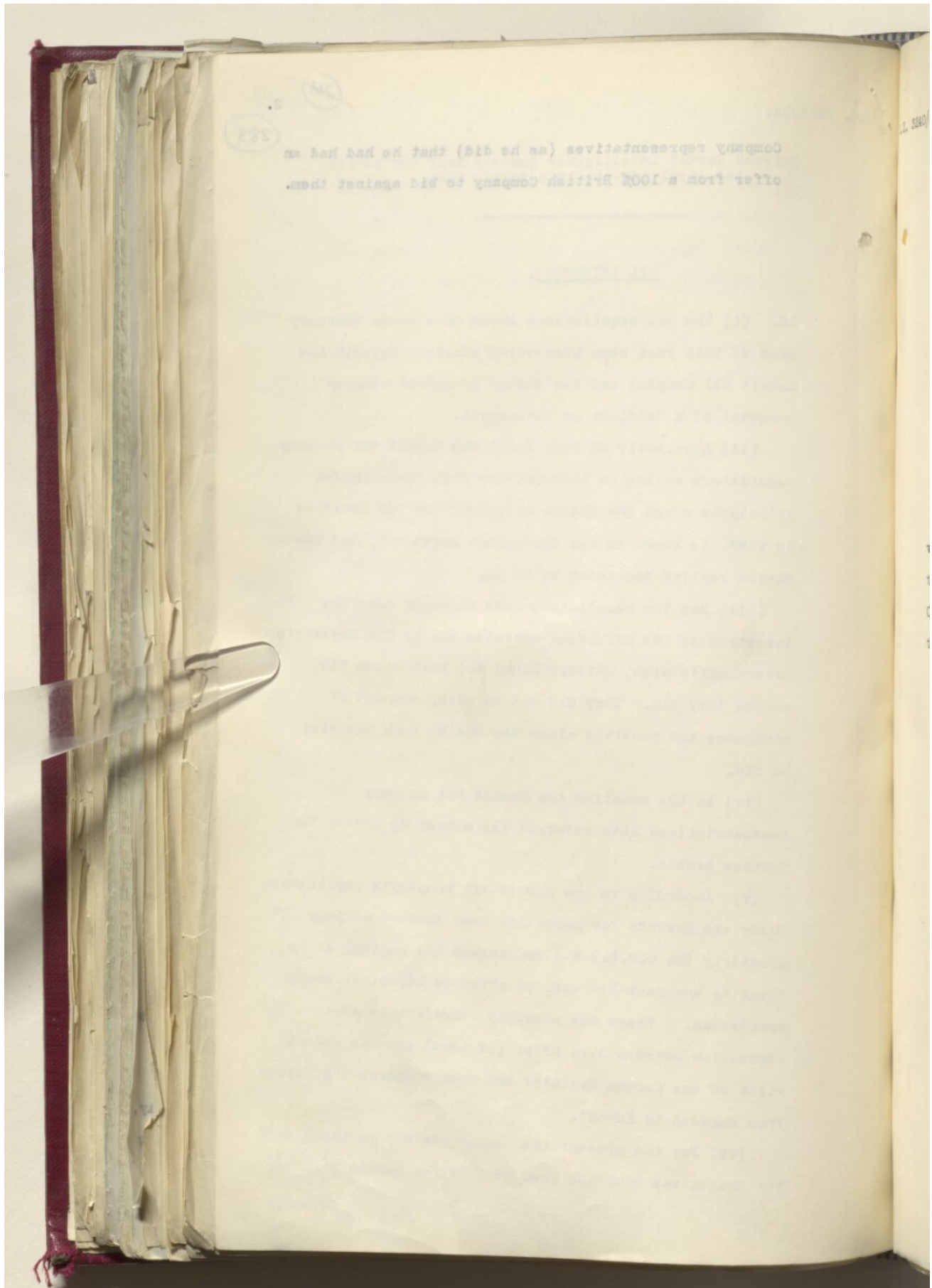
(v) According to the Kuwait Oil Company's negotiators there are grounds for supposing that another company (possibly the B.O.D.) has approached the Shaikh, or is about to approach him with an offer to negotiate an Oil concession. There may possibly therefore be some connection between such offer (if true) and the recent visit of the German Minister and French Charge d'Affaires from Baghdad to Kuwait.

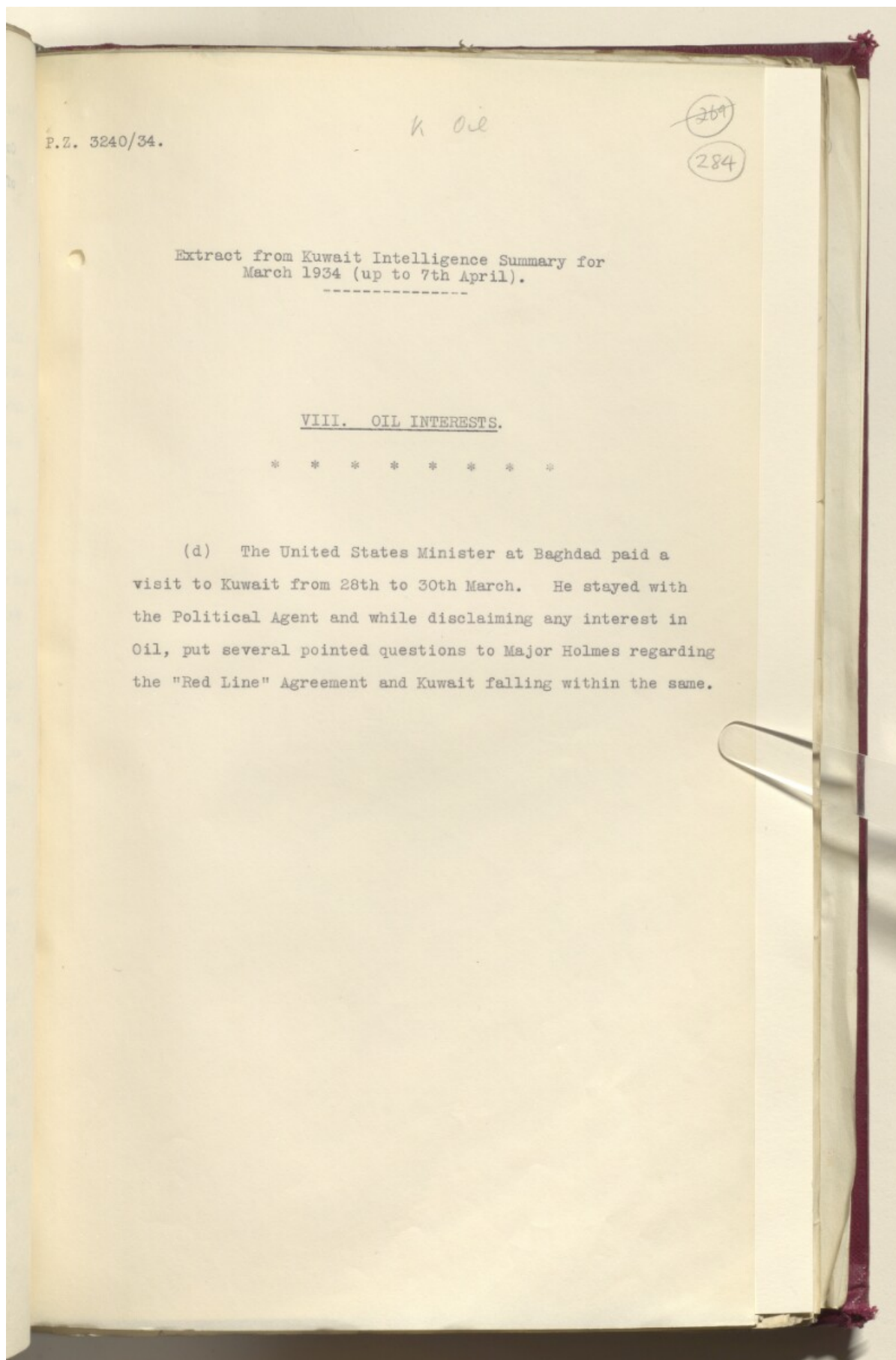
(vi) For the present the writer prefers to think that the Shaikh was bluffing when he told the Kuwait Oil

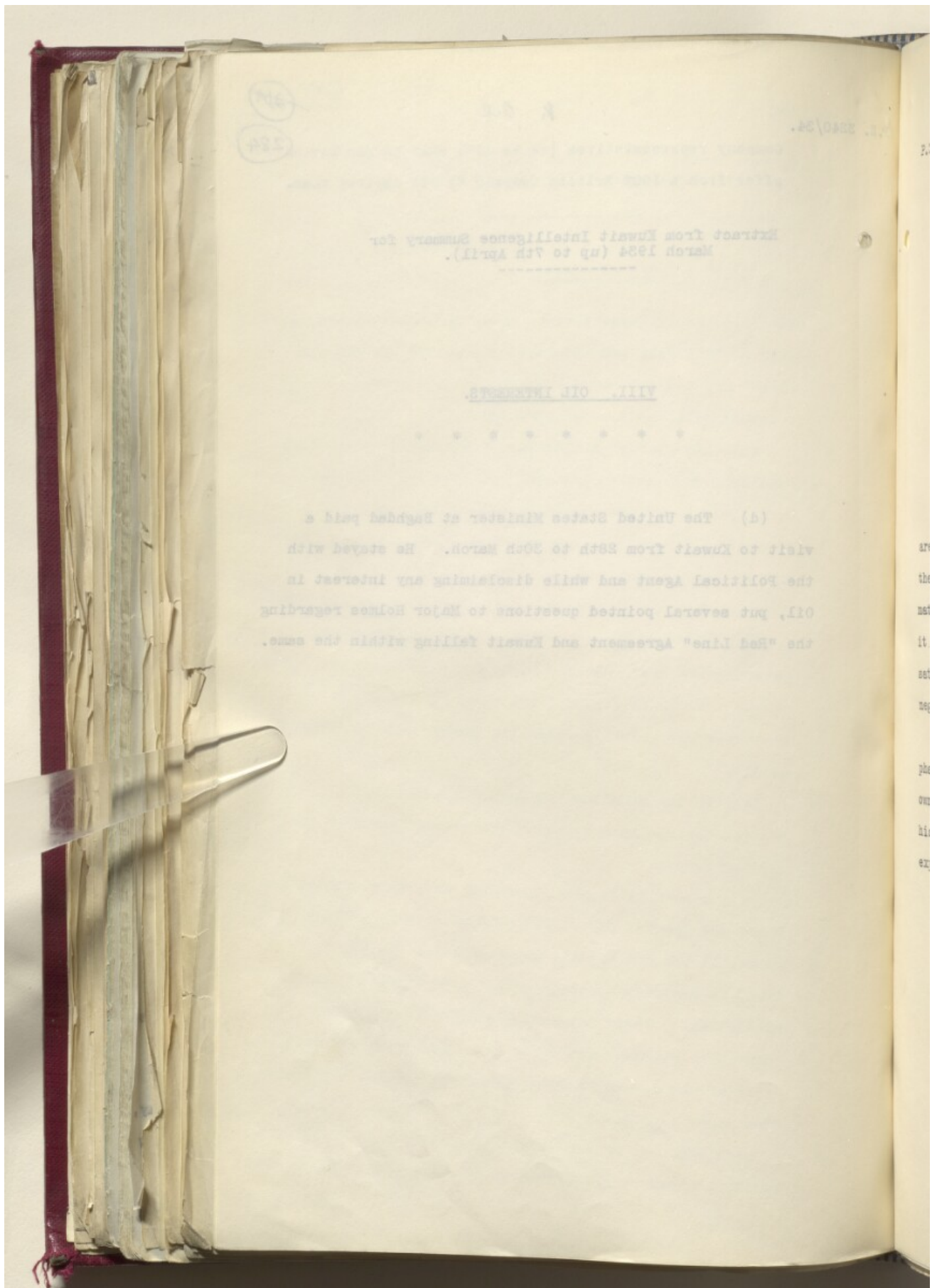
Company/

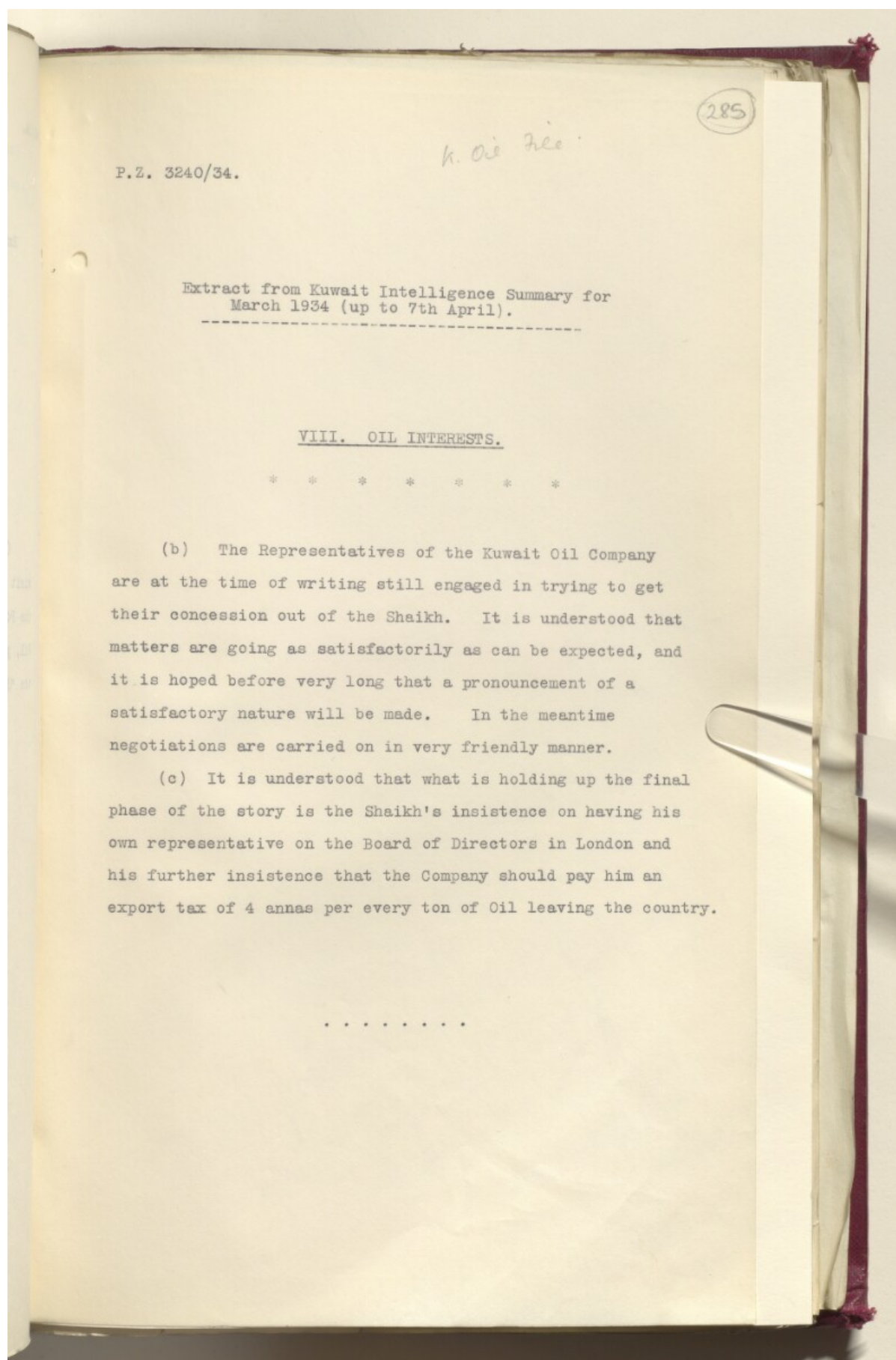












P.Z. 3240/34.

K. Oil File.

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Extract from Kuwait Intelligence Summary for
March 1934 (up to 7th April).

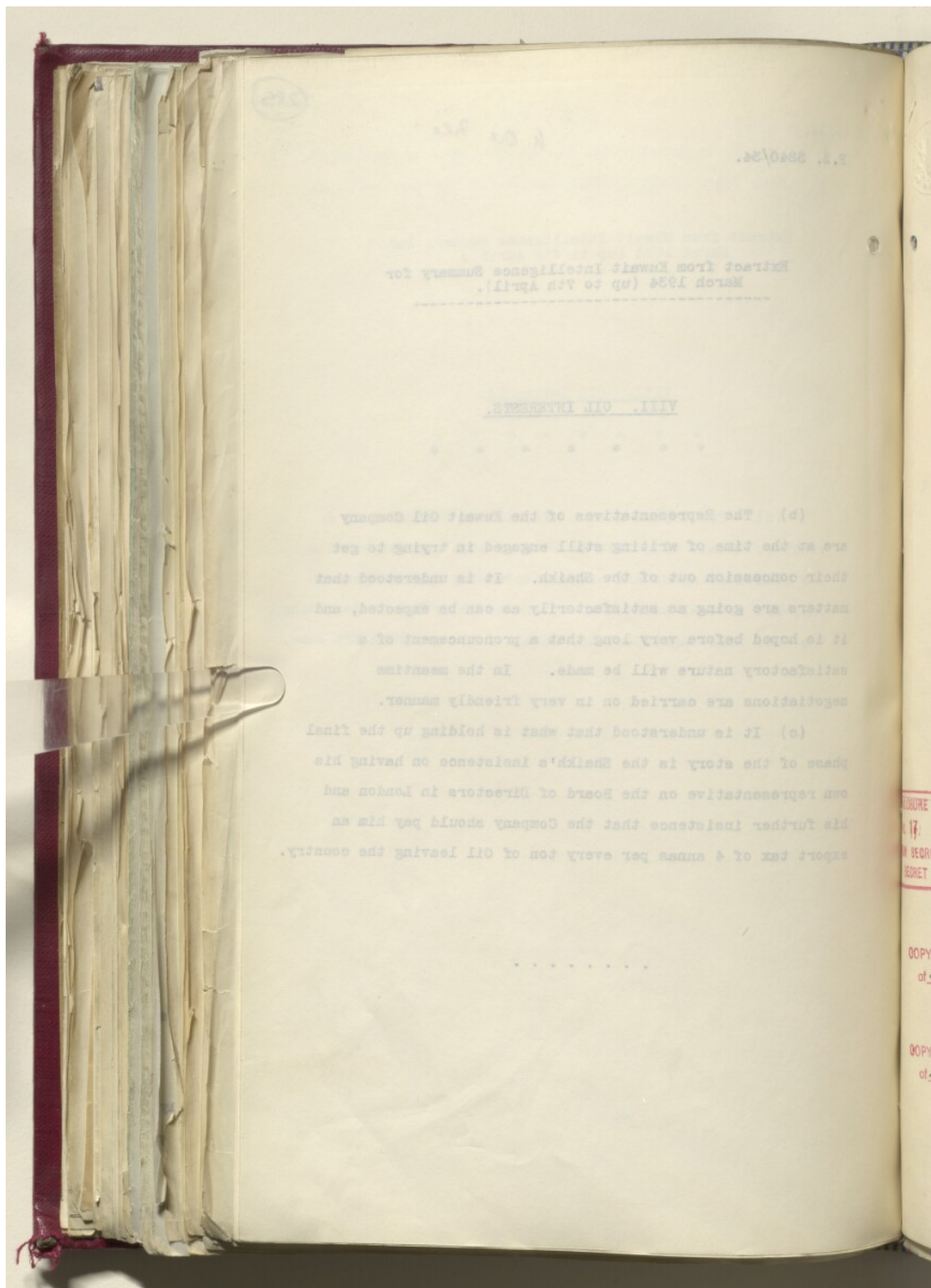
VIII. OIL INTERESTS.

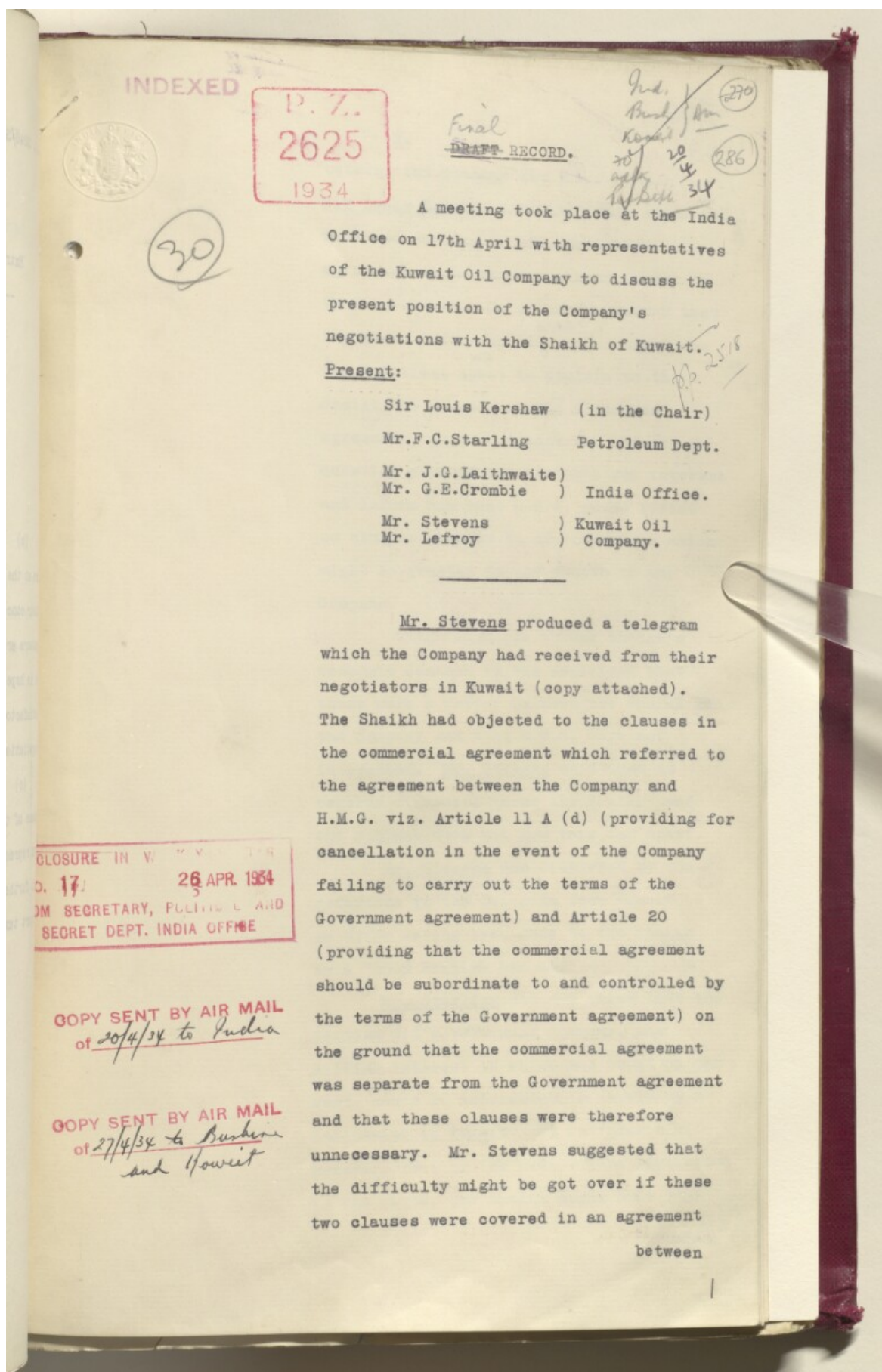
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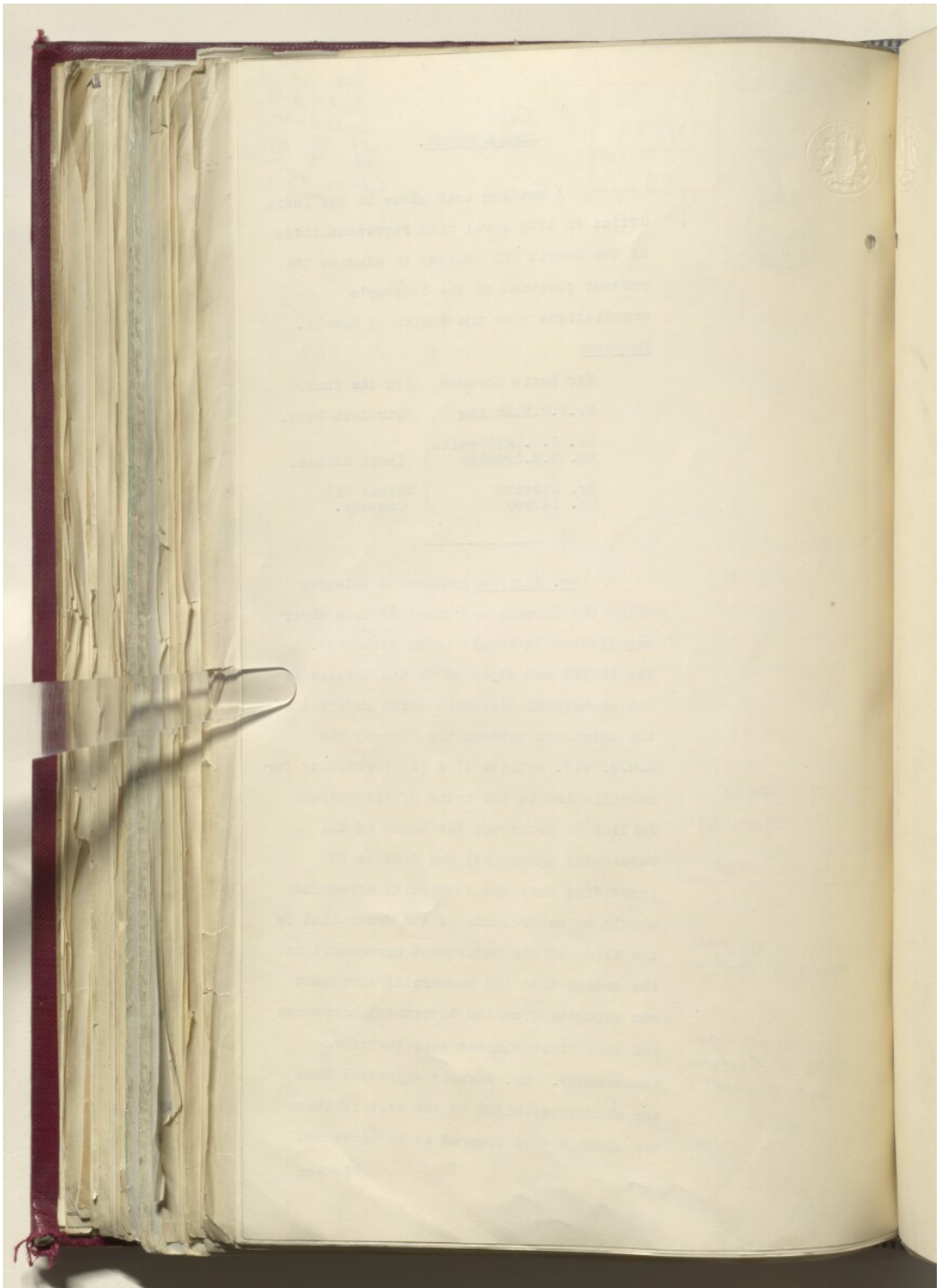
(b) The Representatives of the Kuwait Oil Company are at the time of writing still engaged in trying to get their concession out of the Shaikh. It is understood that matters are going as satisfactorily as can be expected, and it is hoped before very long that a pronouncement of a satisfactory nature will be made. In the meantime negotiations are carried on in very friendly manner.

(c) It is understood that what is holding up the final phase of the story is the Shaikh's insistence on having his own representative on the Board of Directors in London and his further insistence that the Company should pay him an export tax of 4 annas per every ton of Oil leaving the country.

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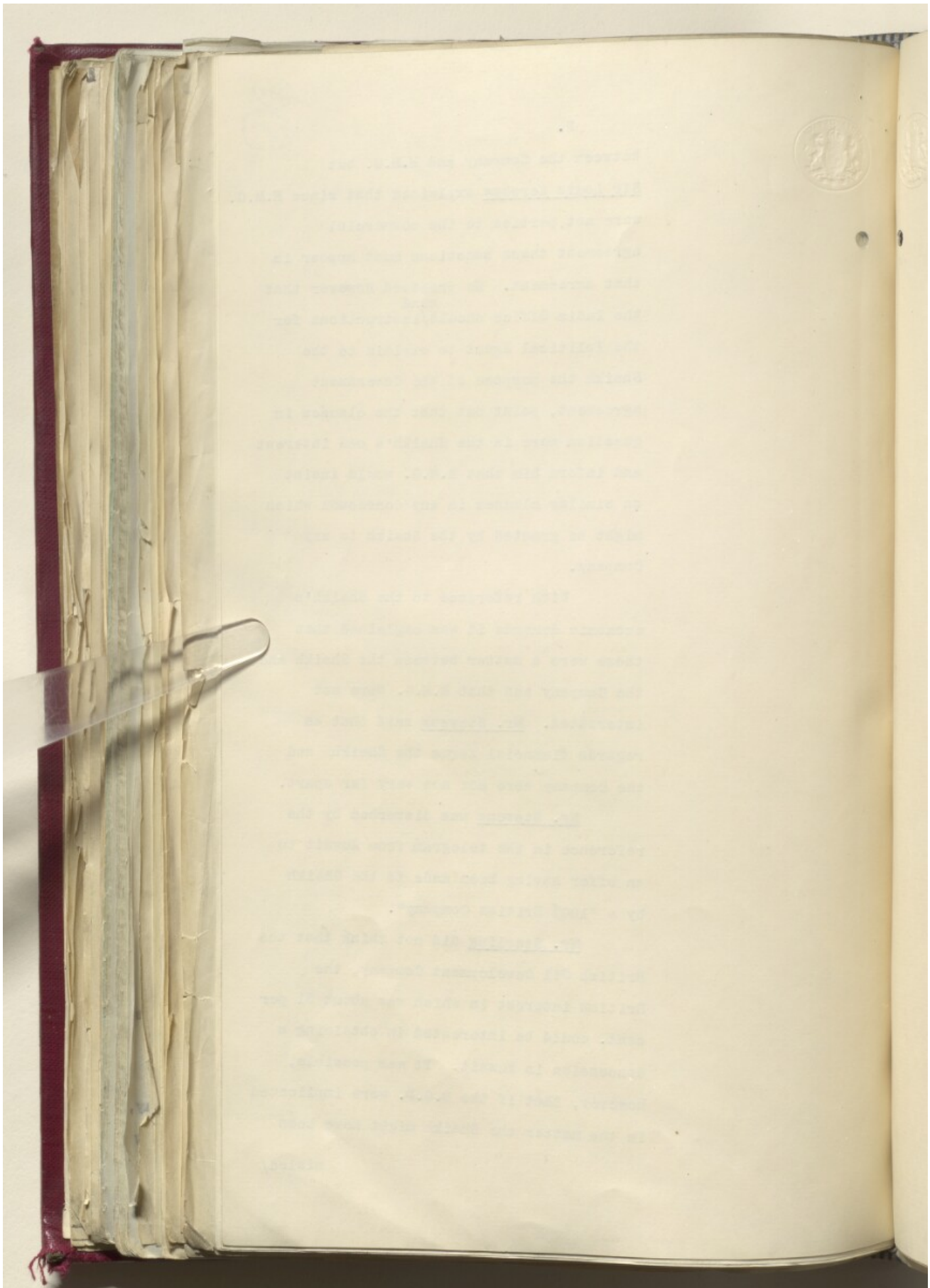
between the Company and H.M.G. but
Sir Louis Kershaw explained that since H.M.G.
were not parties to the commercial
agreement these sanctions must appear in
that agreement. He proposed however that
the India Office should ^{send} instructions for
the Political Agent to explain to the
Shaikh the purpose of the Government
agreement, point out that the clauses in
question were in the Shaikh's own interest
and inform him that H.M.G. would insist
on similar clauses in any concession which
might be granted by the Shaikh to any
Company.

With reference to the Shaikh's
economic demands it was explained that
these were a matter between the Shaikh and
the Company and that H.M.G. were not
interested. Mr. Stevens said that as
regards financial terms the Shaikh and
the Company were not now very far apart.

Mr. Stevens was disturbed by the
reference in the telegram from Kuwait to
an offer having been made to the Shaikh
by a "100% British Company".

Mr. Starling did not think that the
British Oil Development Company, the
British interest in which was about 51 per
cent. could be interested in obtaining a
concession in Kuwait. It was possible,
however, that if the B.O.D. were implicated
in the matter the Shaikh might have been

misled/





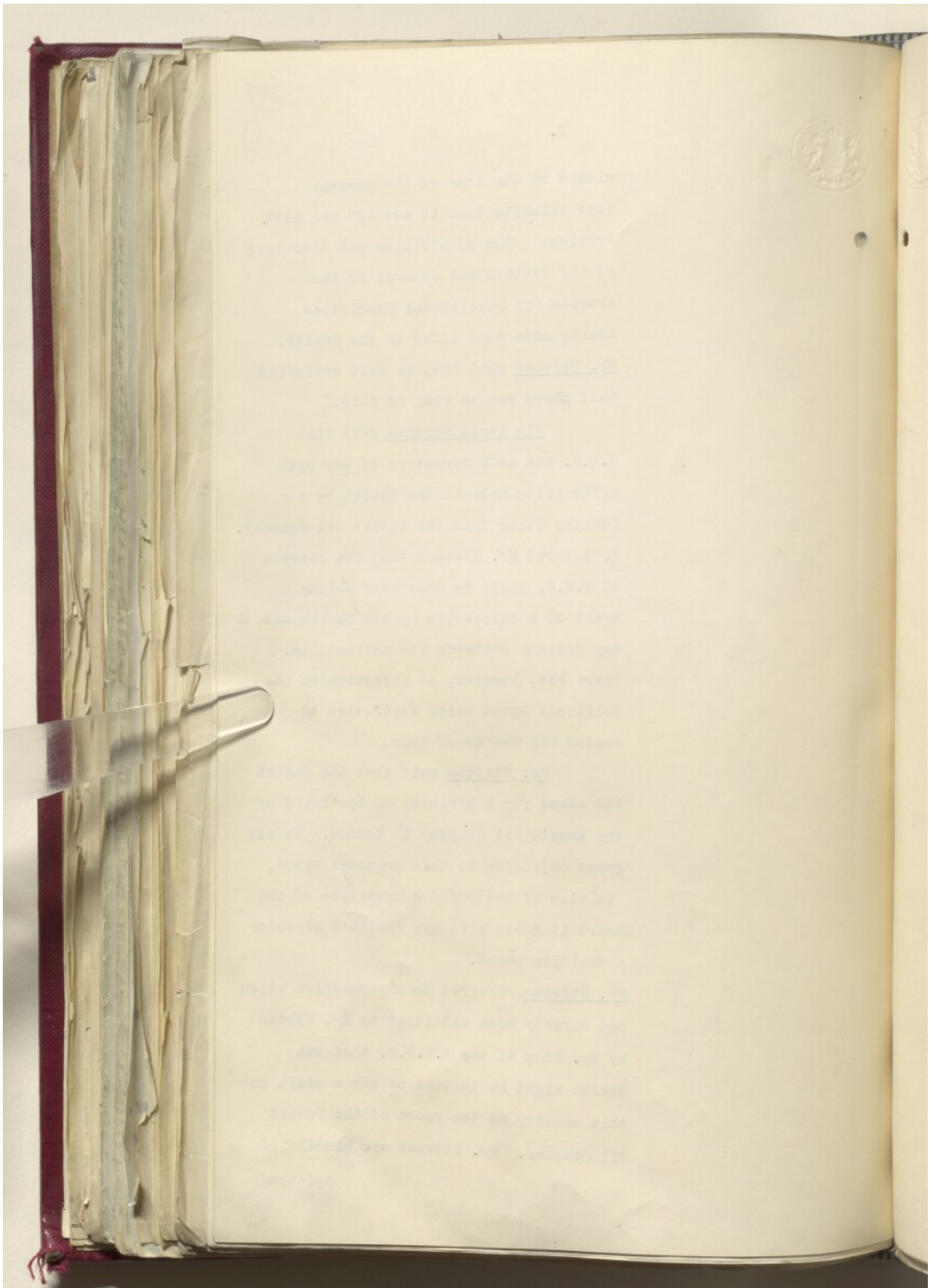
3.

misled by the name of the Company into thinking that it was 100 per cent British. The possibility was discussed of the Eastern and General or the Arabian Oil Development Syndicates having made some offer to the Shaikh. Mr. Stevens said that he felt satisfied that there was no risk of this.

Sir Louis Kershaw said that H.M.G. had no information of any such offer being made to the Shaikh by any Company other than the Kuwait Oil Company. He assured Mr. Stevens that the consent of H.M.G. would be necessary for the grant of a concession by the Shaikh and to any Company whatever its nationality. There was, however, no objection to the Political Agent being instructed to remind the Shaikh of this.

Mr. Stevens said that the Shaikh had asked for a Director on the Board of the Kuwait Oil Company in London. He saw great objection to this proposal since, in view of the 50/50 composition of the Board it would give the Shaikh's Director a deciding voice.

Mr. Stevens referred to a suggestion which had already been mentioned to Mr. Walton by Mr. Kemp of the A.P.O.C. that the Shaikh might be invited to pay a visit to this country as the guest of the Kuwait Oil Company. Mr. Stevens was himself of opinion/





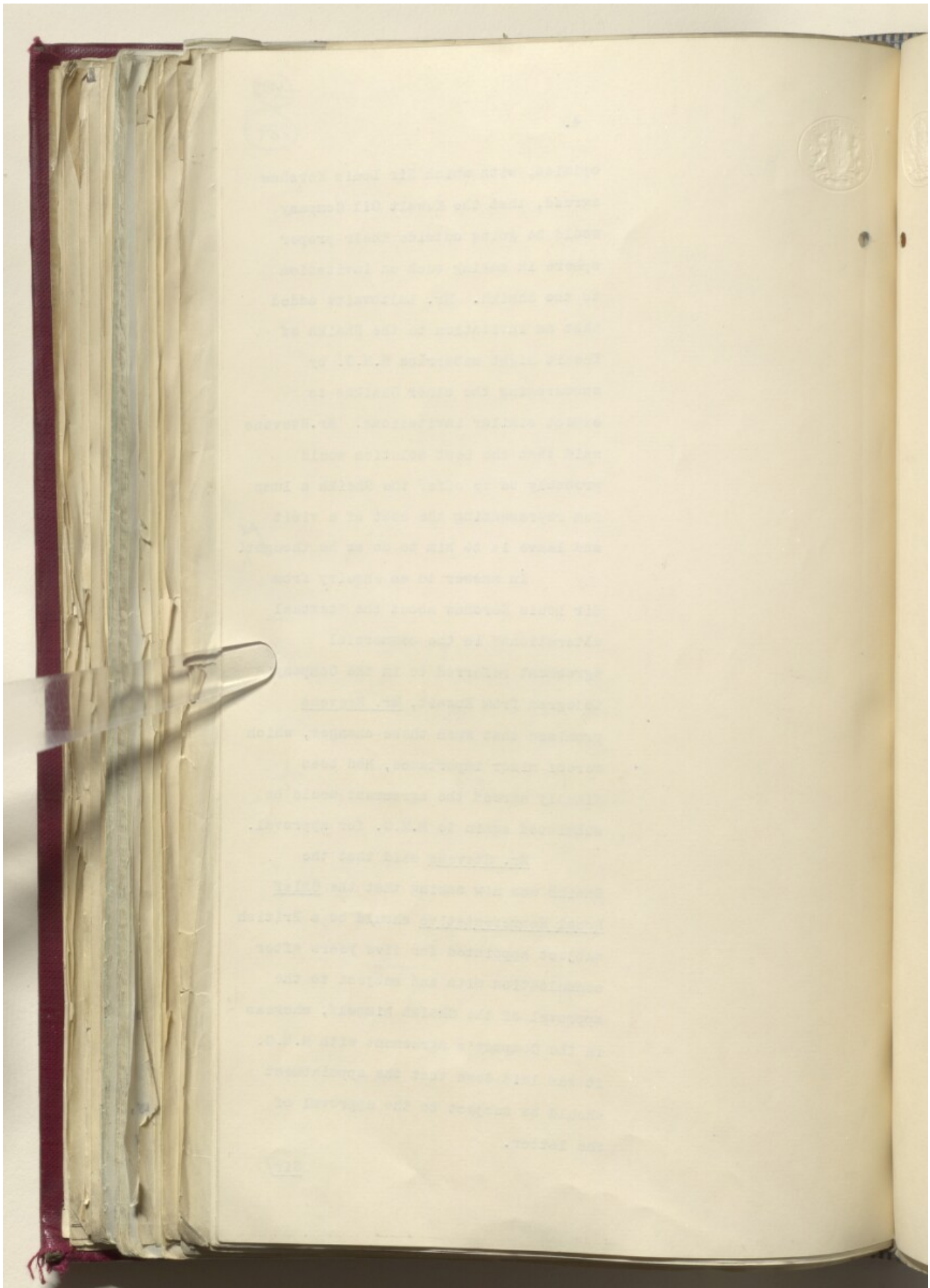
4.

opinion, with which Sir Louis Kershaw agreed, that the Kuwait Oil Company would be going outside their proper sphere in making such an invitation to the Shaikh. Mr. Laithwaite added that an invitation to the Shaikh of Kuwait might embarrass H.M.G. by encouraging the other Shaikhs to expect similar invitations. Mr. Stevens said that the best solution would probably be to offer the Sheikh a lump sum representing the cost of a visit and leave it to him to do as he thought. *fit*

In answer to an enquiry from Sir Louis Kershaw about the "textual alterations" in the commercial agreement referred to in the Company's telegram from Kuwait, Mr. Stevens promised that when these changes, which were of minor importance, had been finally agreed the agreement would be submitted again to H.M.G. for approval.

Mr. Stevens said that the Shaikh was now asking that the Chief Local Representative should be a British subject appointed for five years after consultation with and subject to the approval of the Shaikh himself, whereas in the Company's agreement with H.M.G. it was laid down that the appointment should be subject to the approval of the latter.

Sir/





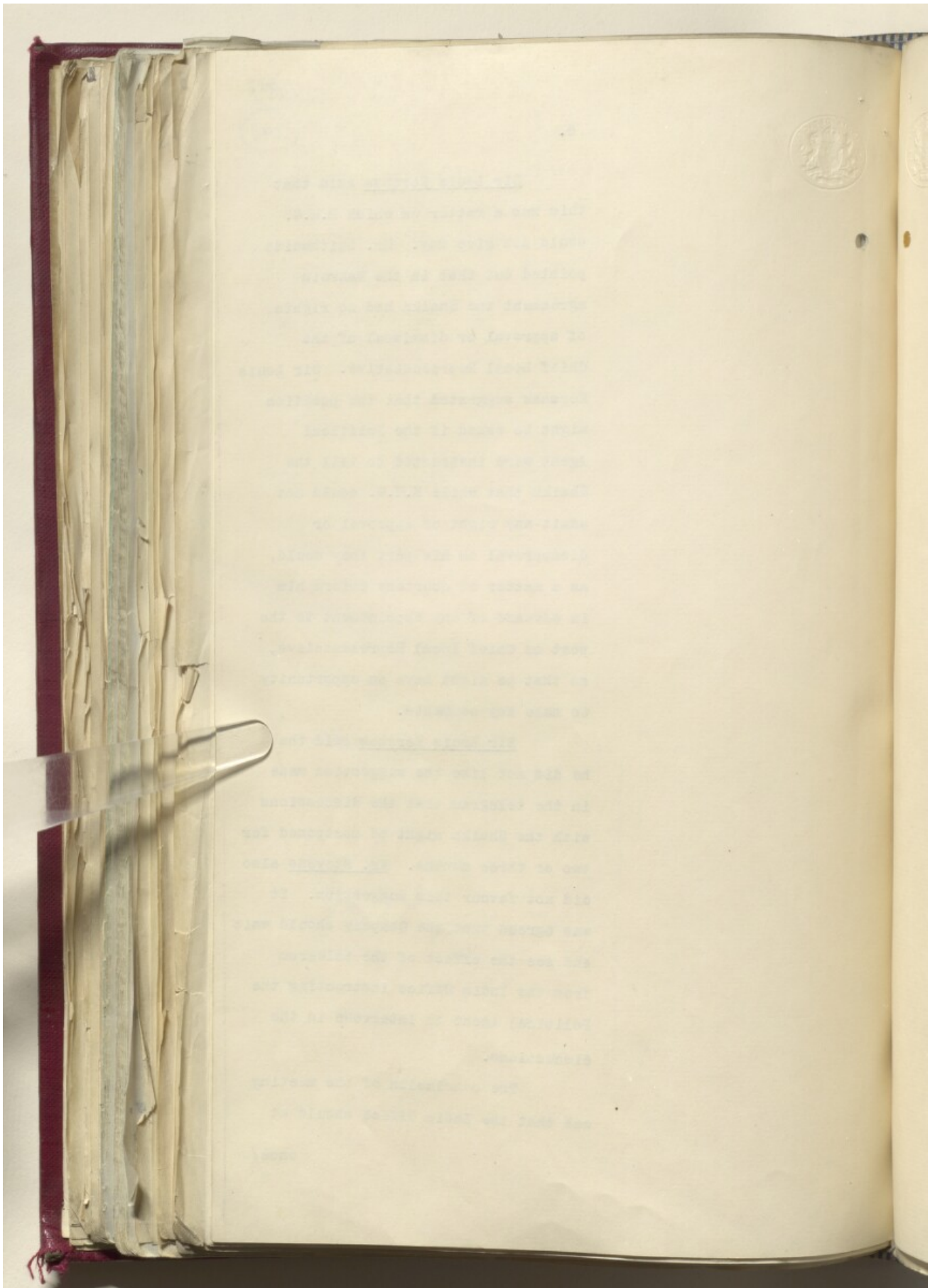
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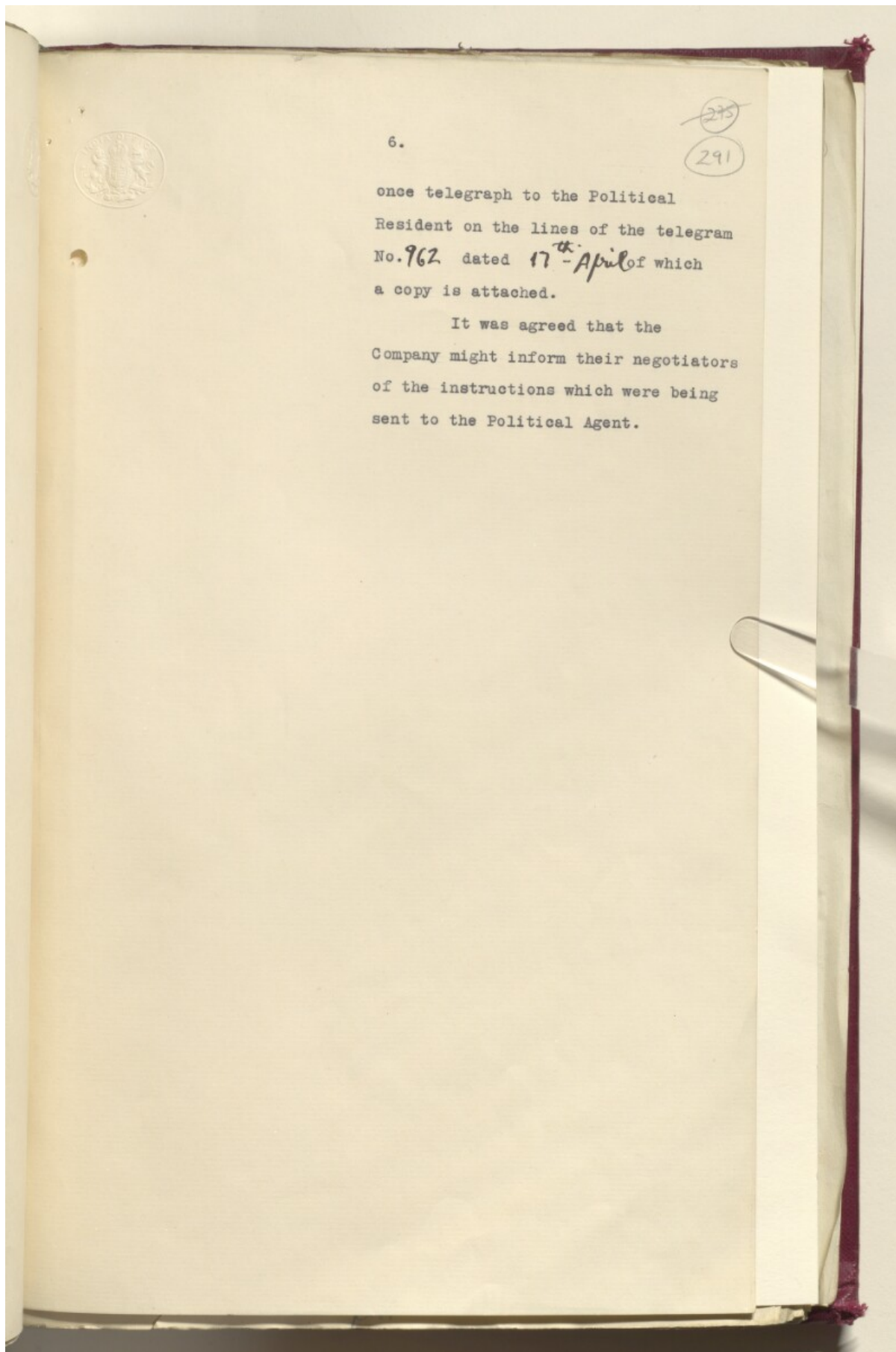
Sir Louis Kershaw said that this was a matter on which H.M.G. could not give way. Mr. Laithwaite pointed out that in the Bahrein agreement the Shaikh had no rights of approval or dismissal of the Chief Local Representative. Sir Louis Kershaw suggested that the position might be eased if the Political Agent were instructed to tell the Shaikh that while H.M.G. could not admit any right of approval or disapproval on his part they would, as a matter of courtesy inform him in advance of any appointment to the post of Chief Local Representative, so that he might have an opportunity to make any comments.

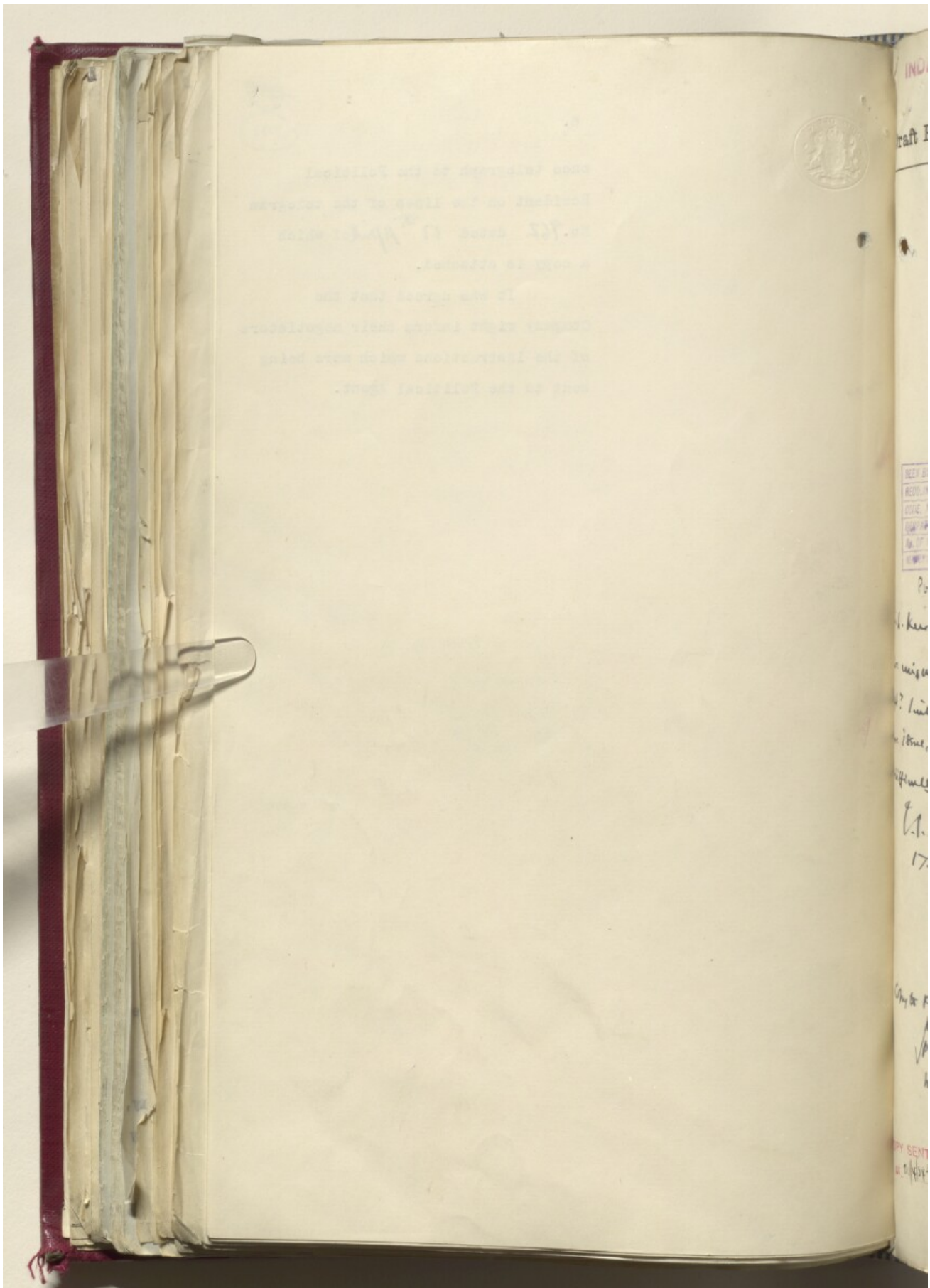
Sir Louis Kershaw said that he did not like the suggestion made in the telegram that the discussions with the Shaikh might be postponed for two or three months. Mr. Stevens also did not favour this suggestion. It was agreed that the Company should wait and see the effect of the telegram from the India Office instructing the Political Agent to intervene in the discussions.

The conclusion of the meeting was that the India Office should at

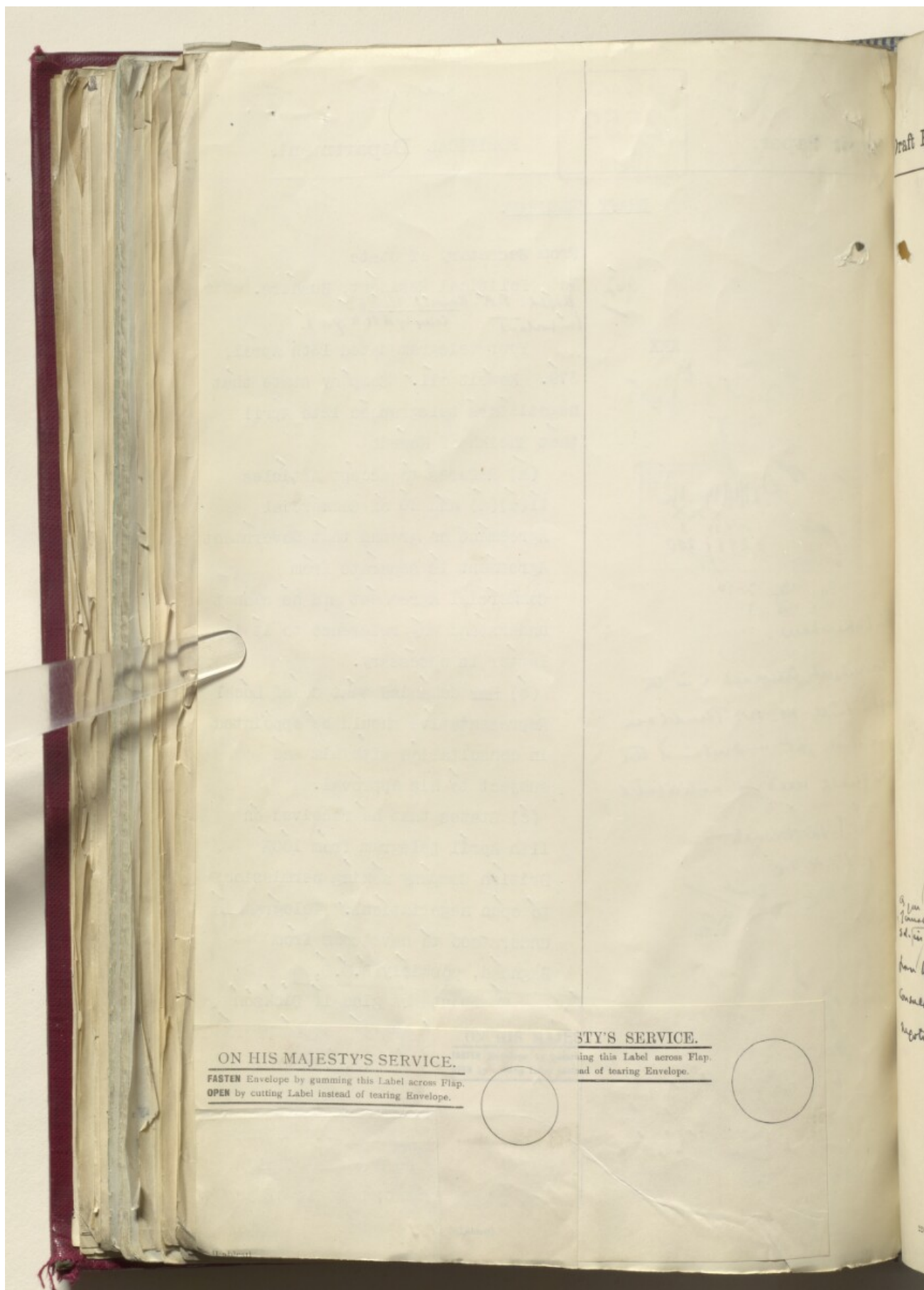
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Draft Paper.

293 2.
Department.

to him that it is in his own interests, and emphasise that condition on lines of articles 11(a)(d) and 20 of draft Commercial Agreement will be essential condition of our approval to grant of any concession, whoever the concessionaire.

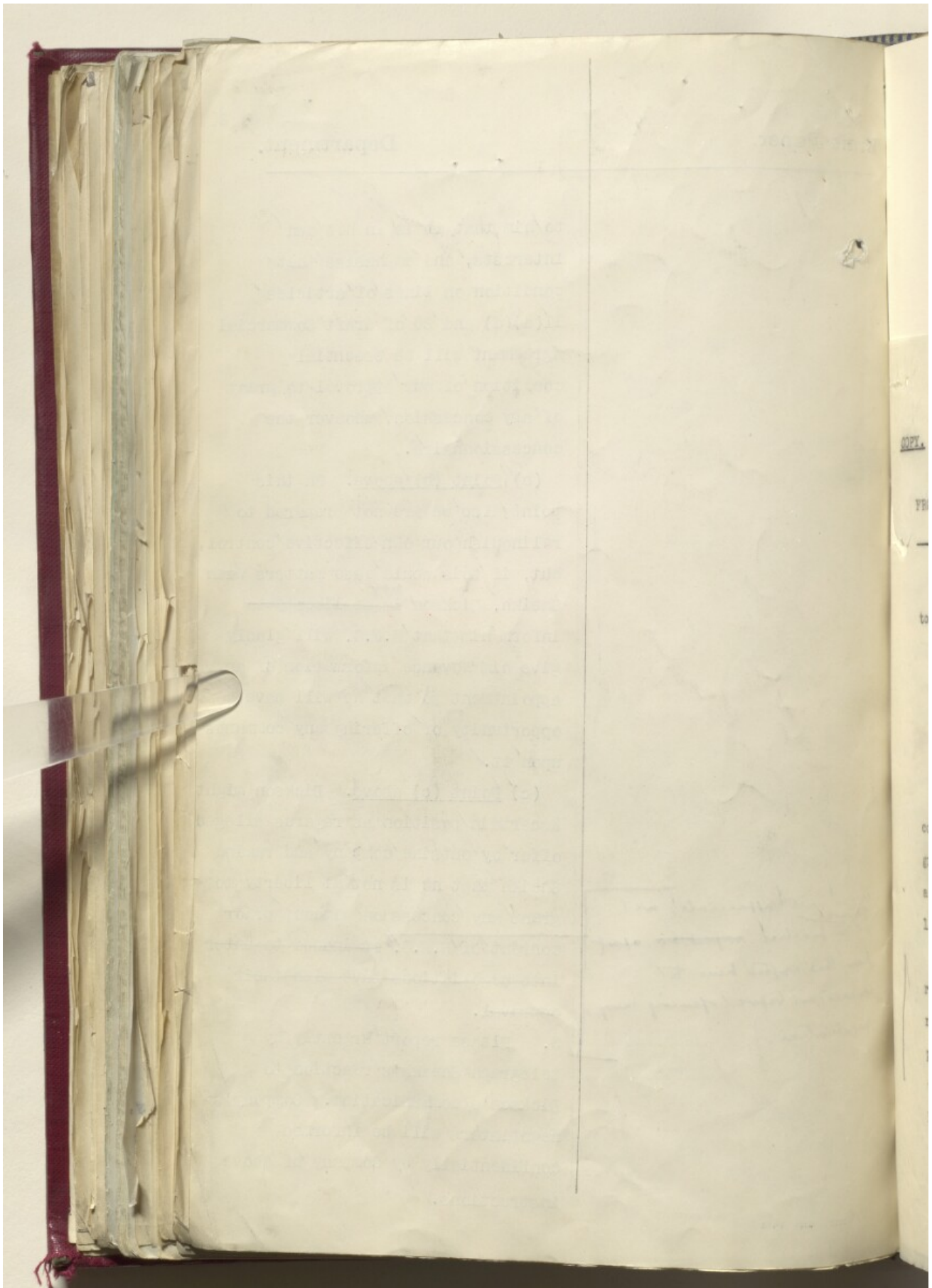
(b) Point (b) above. On this point also we are not prepared to relinquish our own effective control, but, if this would ease matters with Sheikh, Dickson ^{may} ~~is at liberty to~~ inform him that H.M.G. will gladly give him advance information of any appointment so that he will have opportunity of offering any comments upon it.

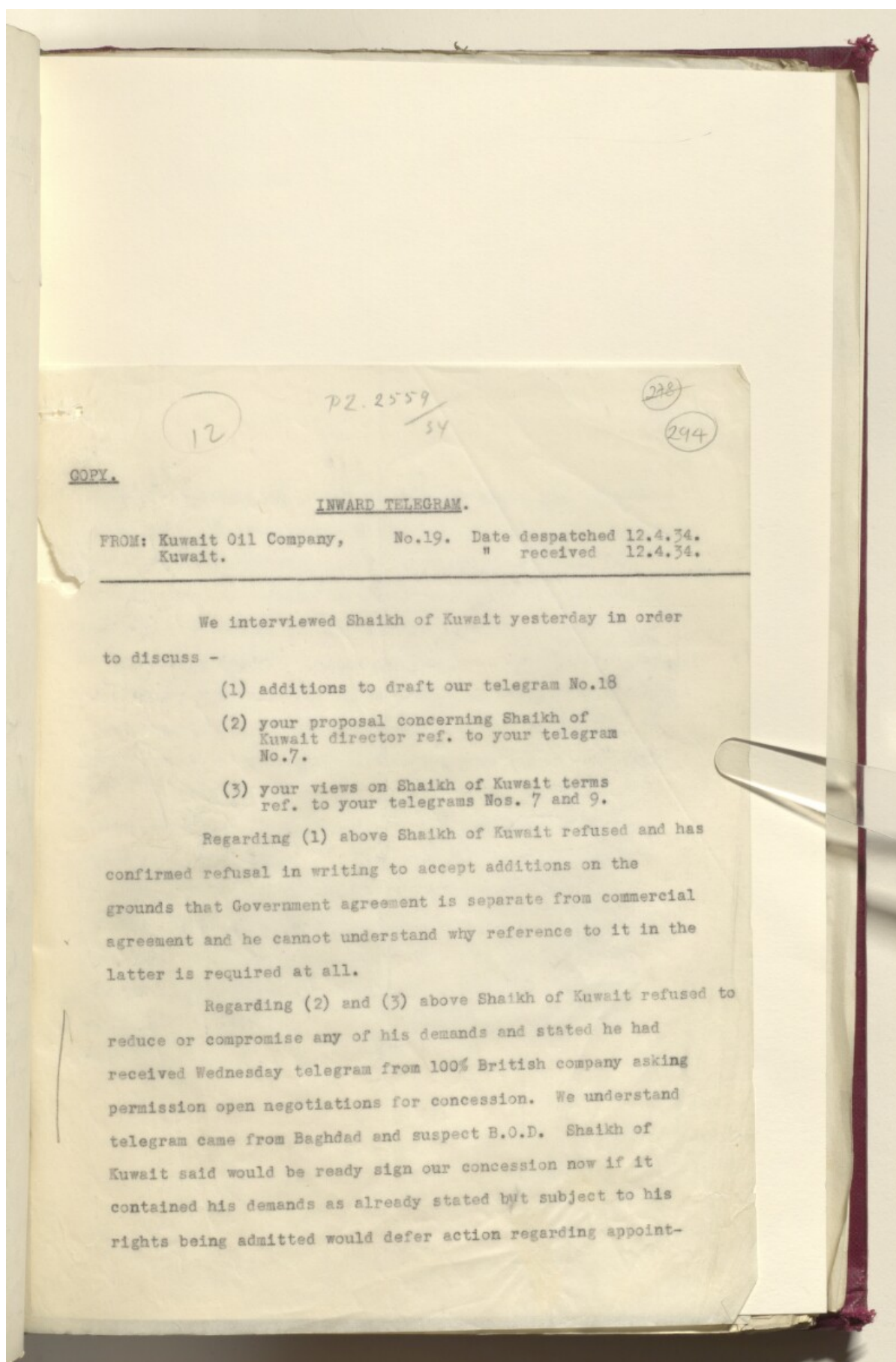
(c) Point (c) above. Dickson might ascertain position as regards alleged offer by outside company and remind Sheikh that he is not at liberty to grant any concession without prior consent of H.M.G. ~~or indeed to enter into negotiations save with their~~ approval.

3. Please report urgently by telegraph Sheikh's reaction to Dickson's communication. Company's negotiators will be informed confidentially by Company of above instructions.

*As you will appreciate, we
cannot
ad. in practice expect to
from this expect him to
consult us before opening any
negotiations.*

2262 5980 11.33





COPY.

INWARD TELEGRAM.

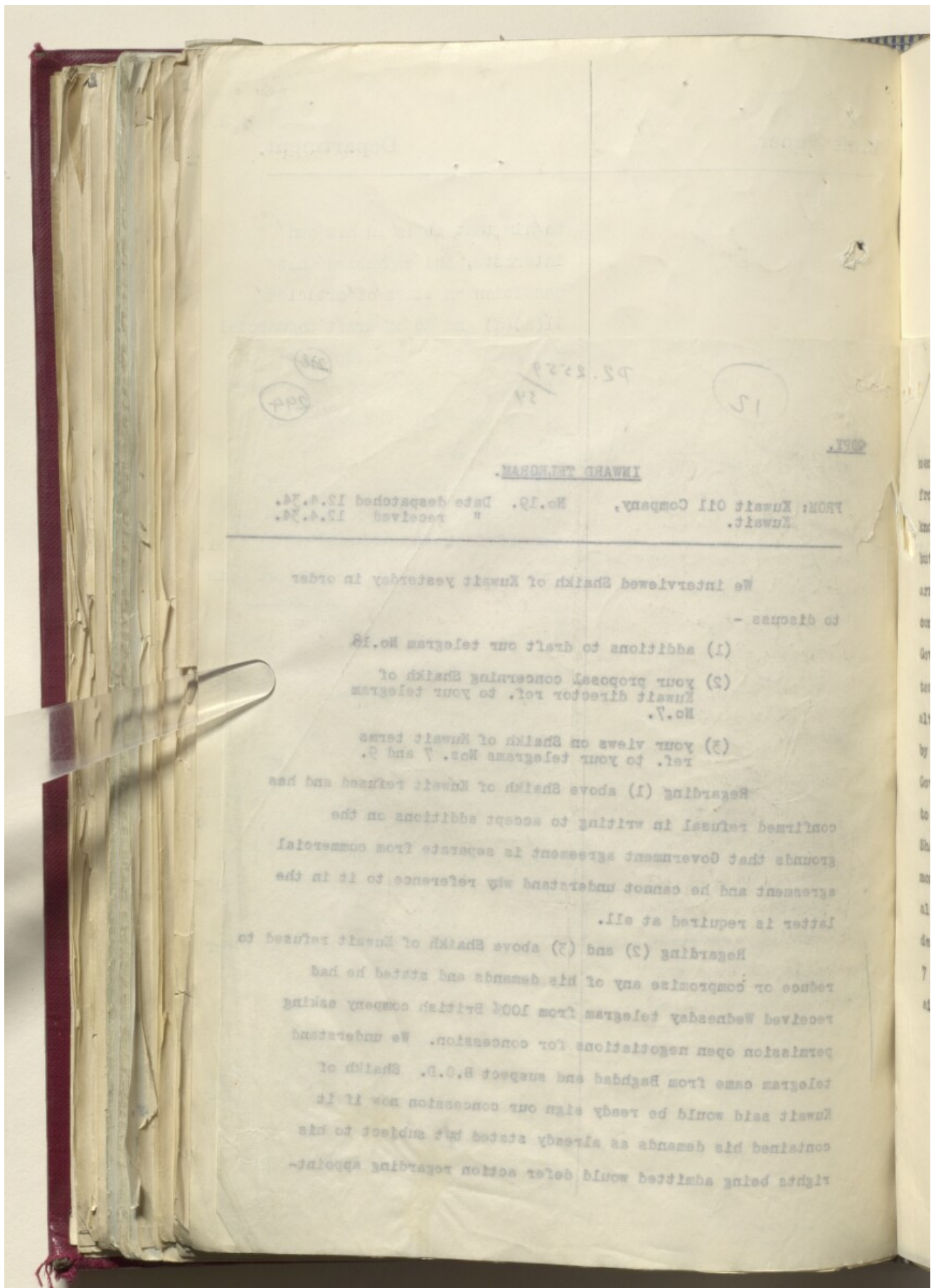
FROM: Kuwait Oil Company, No.19. Date despatched 12.4.34.
Kuwait. " received 12.4.34.

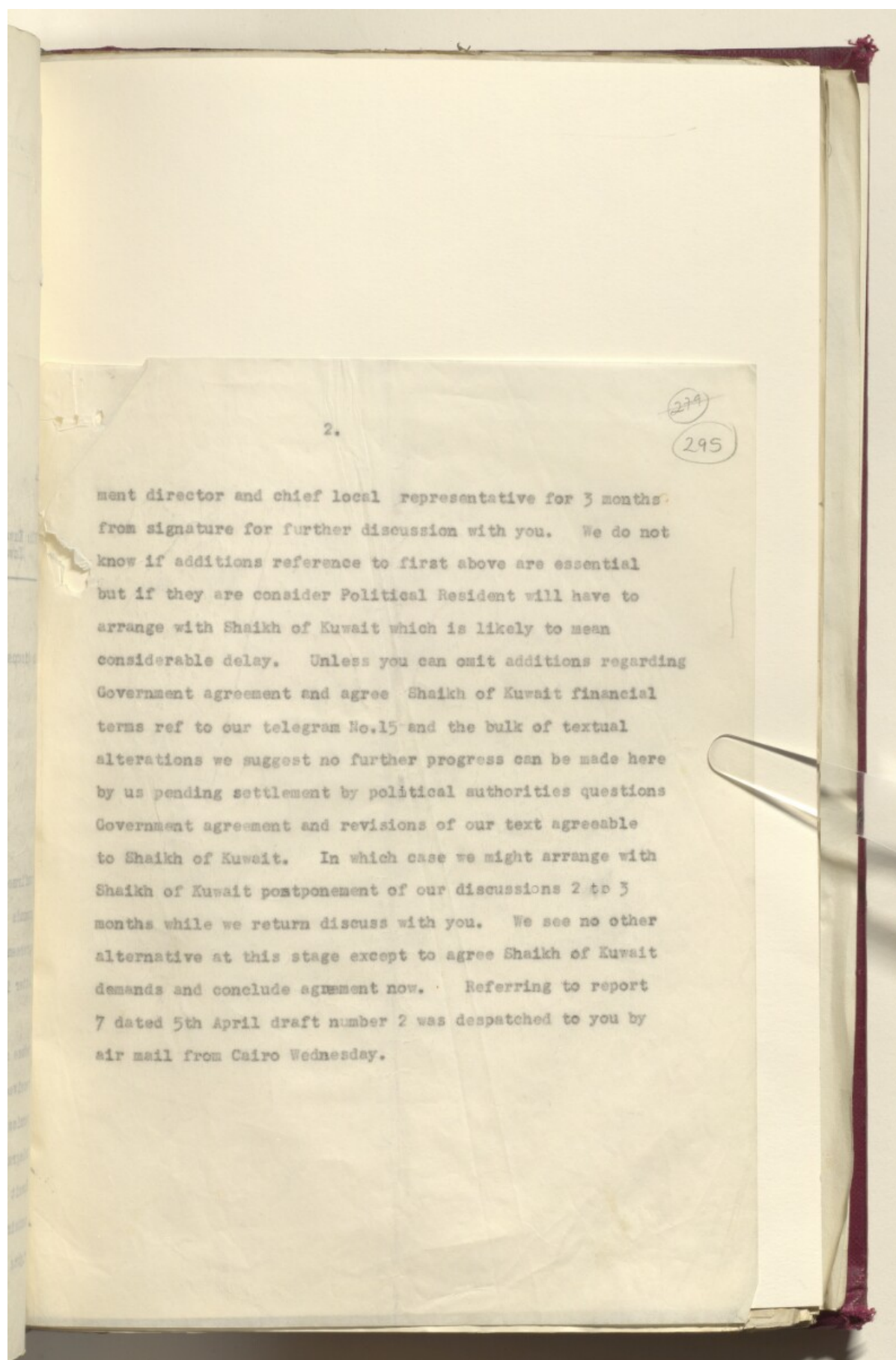
We interviewed Shaikh of Kuwait yesterday in order to discuss -

- (1) additions to draft our telegram No.18
- (2) your proposal concerning Shaikh of Kuwait director ref. to your telegram No.7.
- (3) your views on Shaikh of Kuwait terms ref. to your telegrams Nos. 7 and 9.

Regarding (1) above Shaikh of Kuwait refused and has confirmed refusal in writing to accept additions on the grounds that Government agreement is separate from commercial agreement and he cannot understand why reference to it in the latter is required at all.

Regarding (2) and (3) above Shaikh of Kuwait refused to reduce or compromise any of his demands and stated he had received Wednesday telegram from 100% British company asking permission open negotiations for concession. We understand telegram came from Baghdad and suspect B.O.D. Shaikh of Kuwait said would be ready sign our concession now if it contained his demands as already stated but subject to his rights being admitted would defer action regarding appoint-



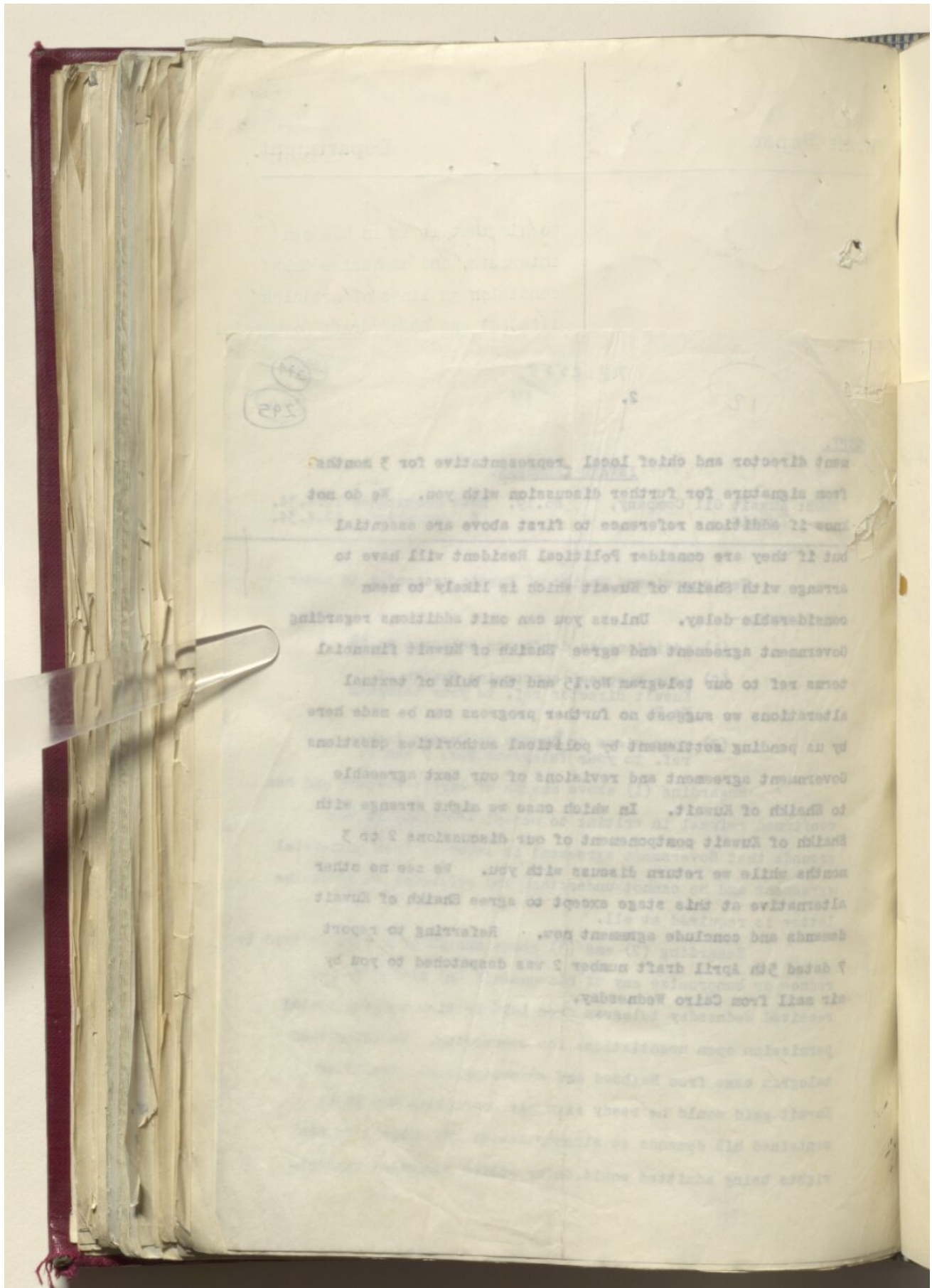


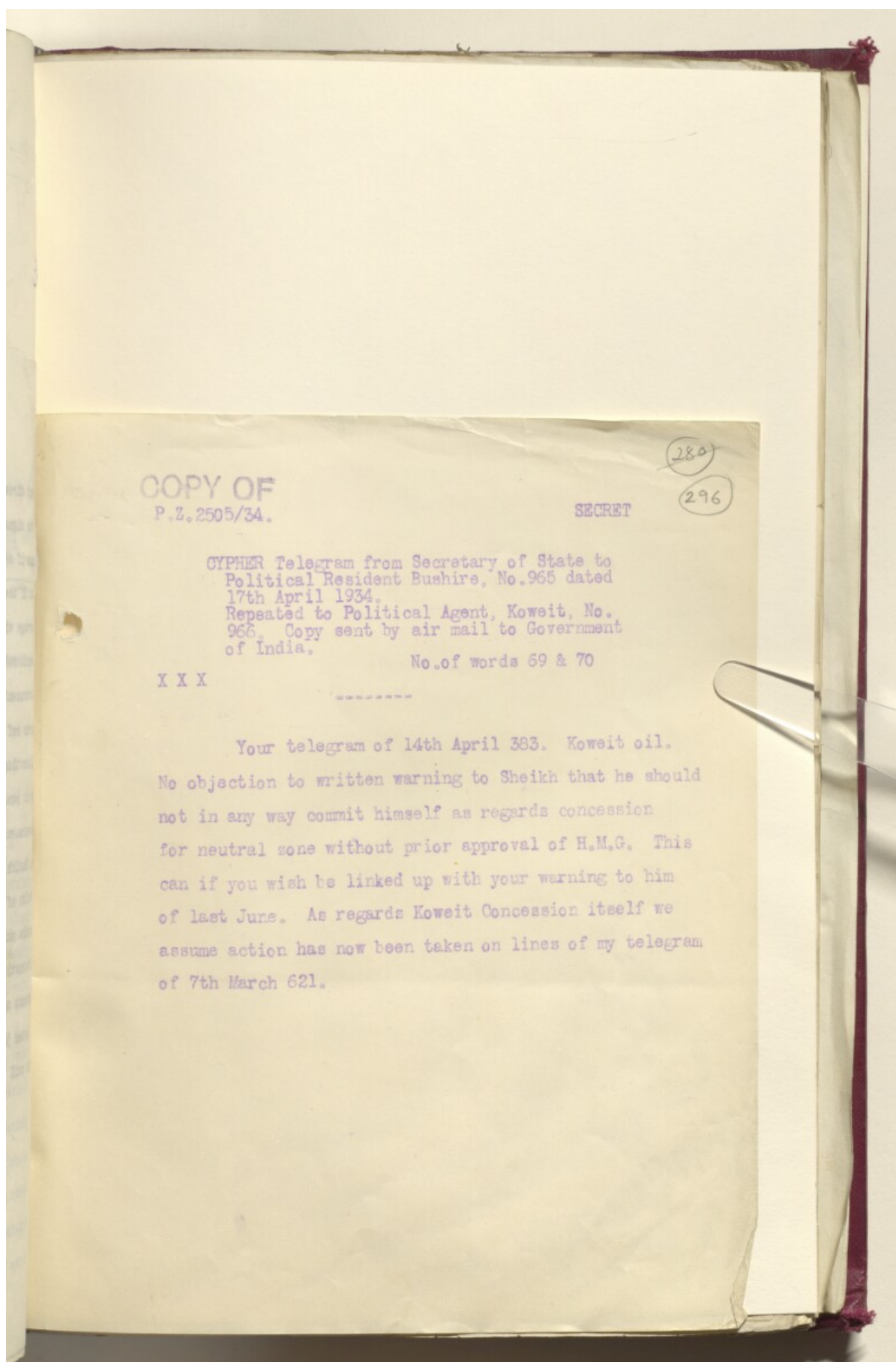
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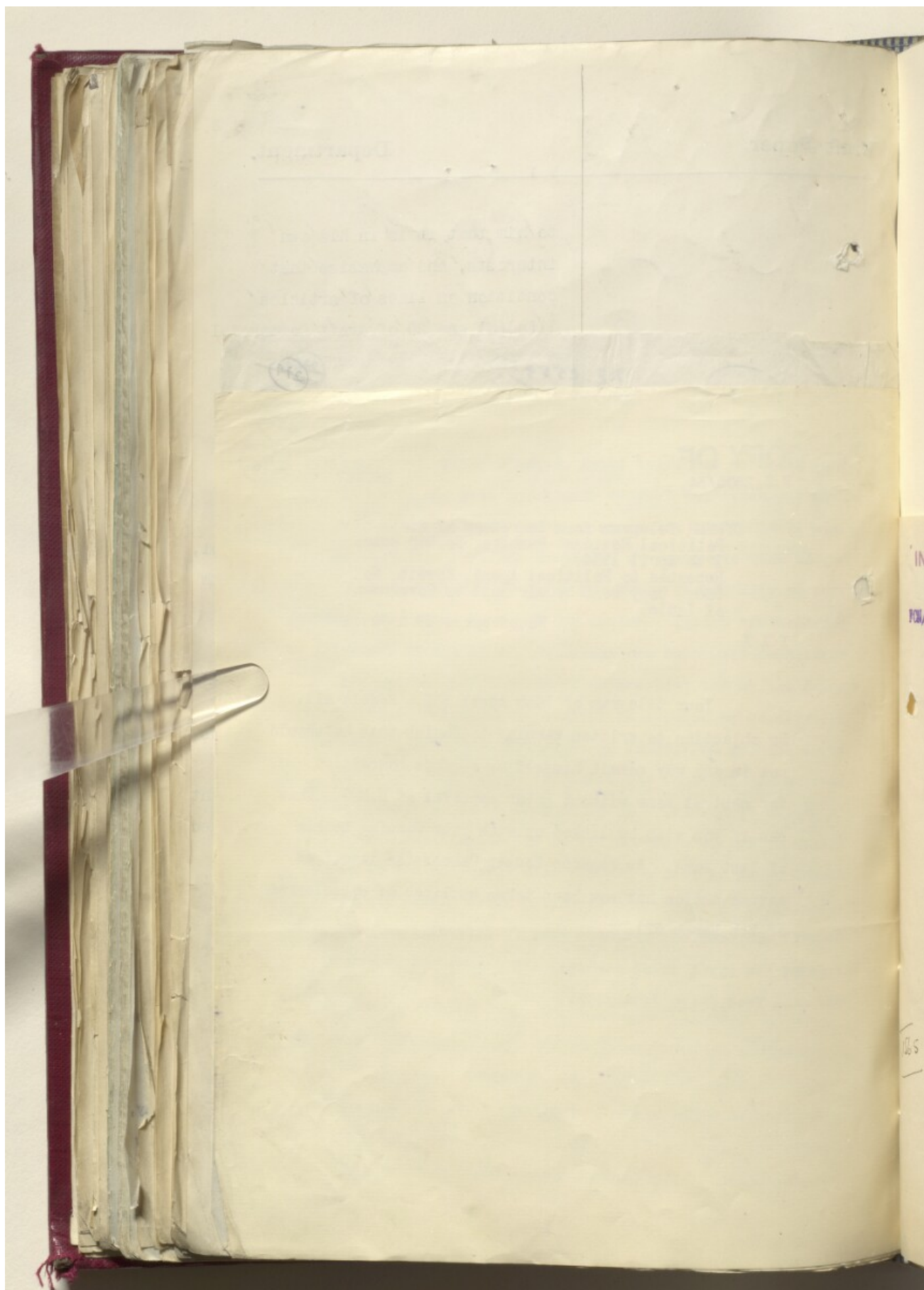
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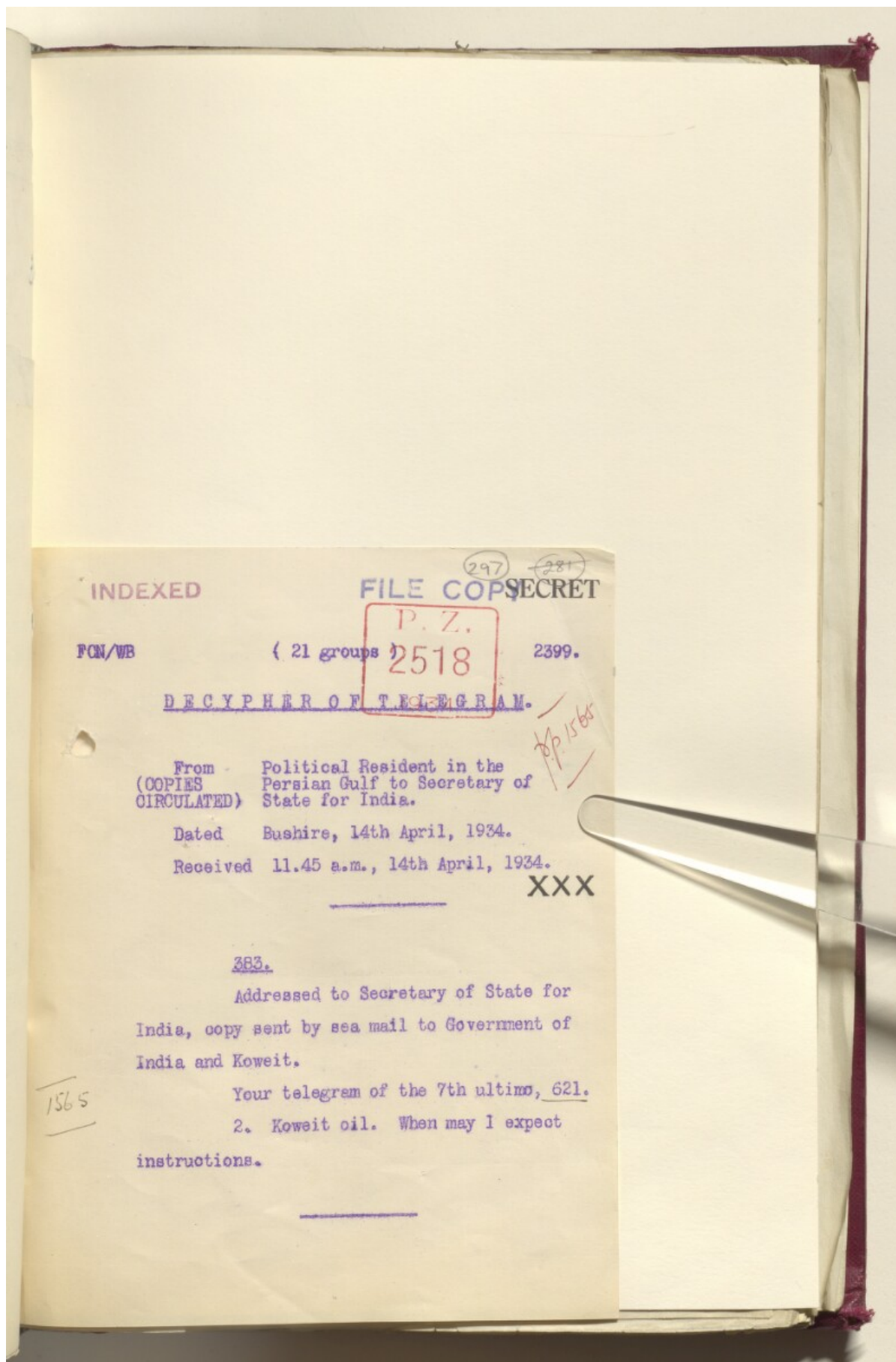
295

ment director and chief local representative for 3 months from signature for further discussion with you. We do not know if additions reference to first above are essential but if they are consider Political Resident will have to arrange with Shaikh of Kuwait which is likely to mean considerable delay. Unless you can omit additions regarding Government agreement and agree Shaikh of Kuwait financial terms ref to our telegram No.15 and the bulk of textual alterations we suggest no further progress can be made here by us pending settlement by political authorities questions Government agreement and revisions of our text agreeable to Shaikh of Kuwait. In which case we might arrange with Shaikh of Kuwait postponement of our discussions 2 to 3 months while we return discuss with you. We see no other alternative at this stage except to agree Shaikh of Kuwait demands and conclude agreement now. Referring to report 7 dated 5th April draft number 2 was despatched to you by air mail from Cairo Wednesday.









INDEXED

FILE COPY SECRET

FCN/WB

(21 groups)

P. Z.
2518

2399.

DECYPHER OF TELEGRAM.

From Political Resident in the
(COPIES Persian Gulf to Secretary of
CIRCULATED) State for India.

Dated Bushire, 14th April, 1934.

Received 11.45 a.m., 14th April, 1934.

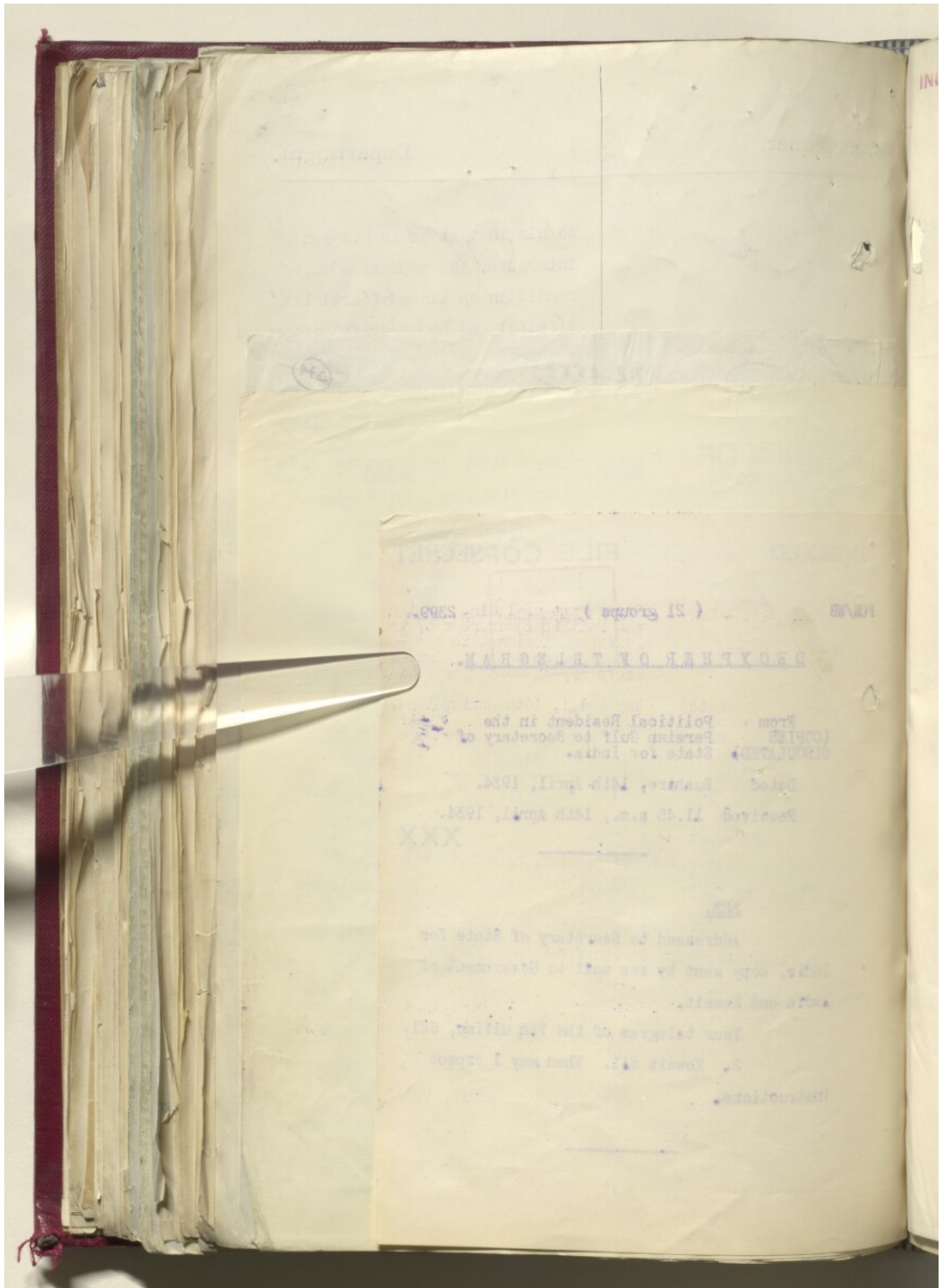
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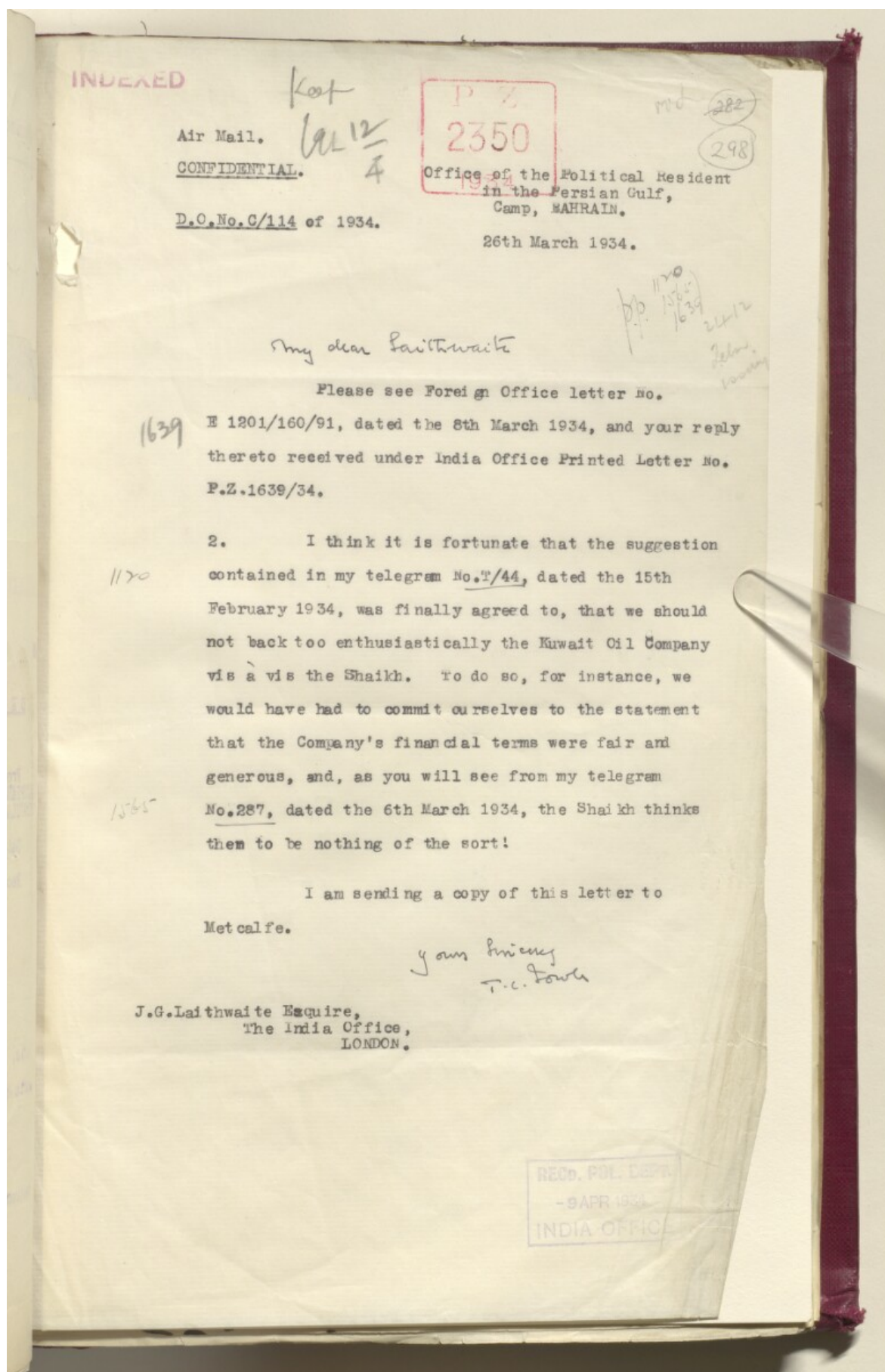
383.

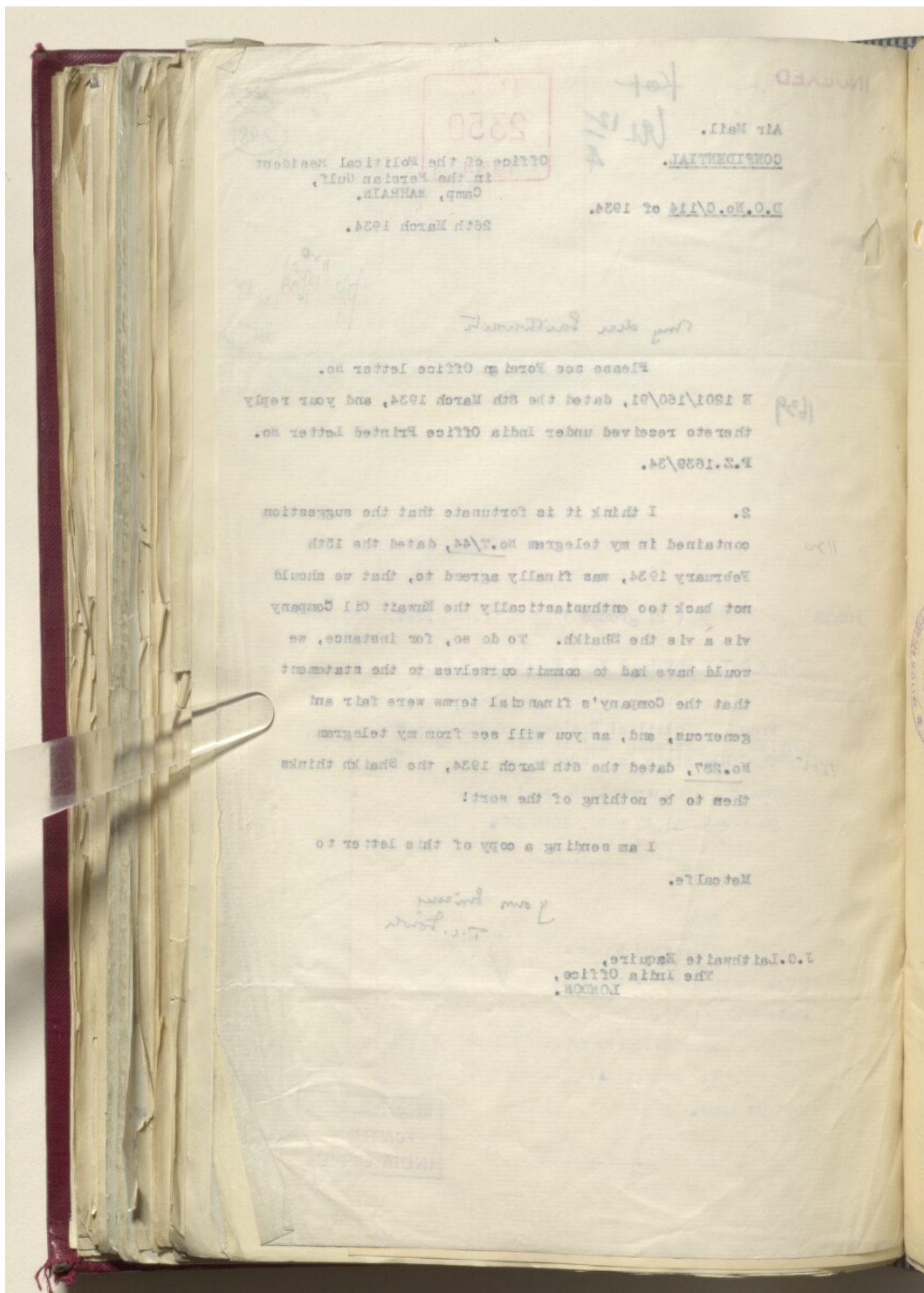
Addressed to Secretary of State for
India, copy sent by sea mail to Government of
India and Koweit.

Your telegram of the 7th ultimo, 621.

2. Koweit oil. When may I expect
instructions.









INDEXED
CONFIDENTIAL.

No. C/90 of 1934.

299 283
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2348
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= 2093
34

The Hon'ble the Political Resident in the Persian Gulf presents his compliments to

1. J.G.Laithwaite Esquire,
The India Office,
London.
2. The Hon'ble Mr.H.A.F.Metcalf, C.S.I.,
C.I.E., M.V.O.,
Foreign Secretary to the Government of India,
New Delhi.

and has the honour to transmit to him a copy of the undermentioned document (A).

Office of the Political Resident
in the Persian Gulf,
Camp, Bahrain.
~~British Consulate General,~~
BUSHIRE.

Dated... 23rd March 1934...

Reference to previous correspondence: 1565

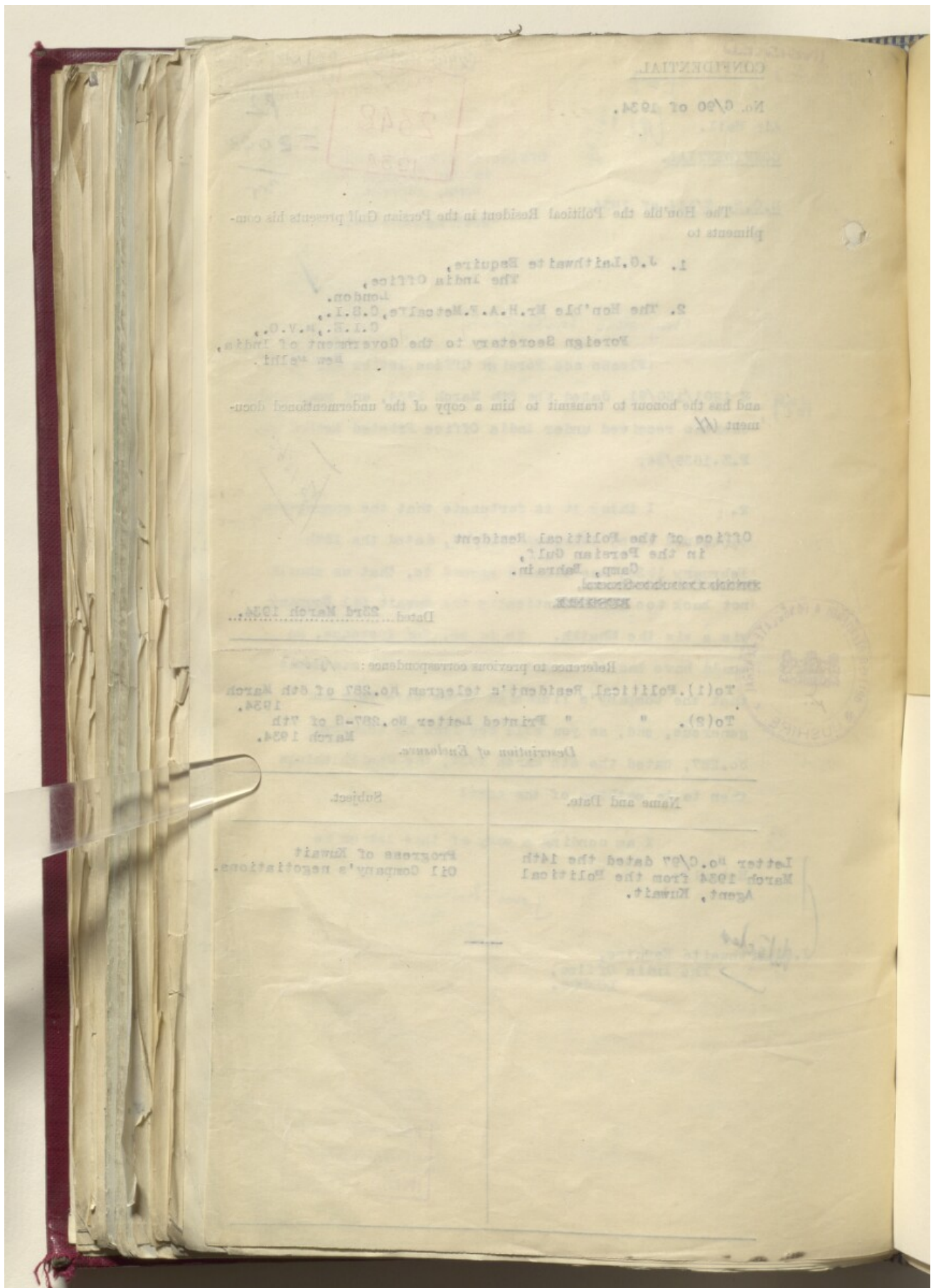
To(1). Political Resident's telegram No. 287 of 6th March 1934.

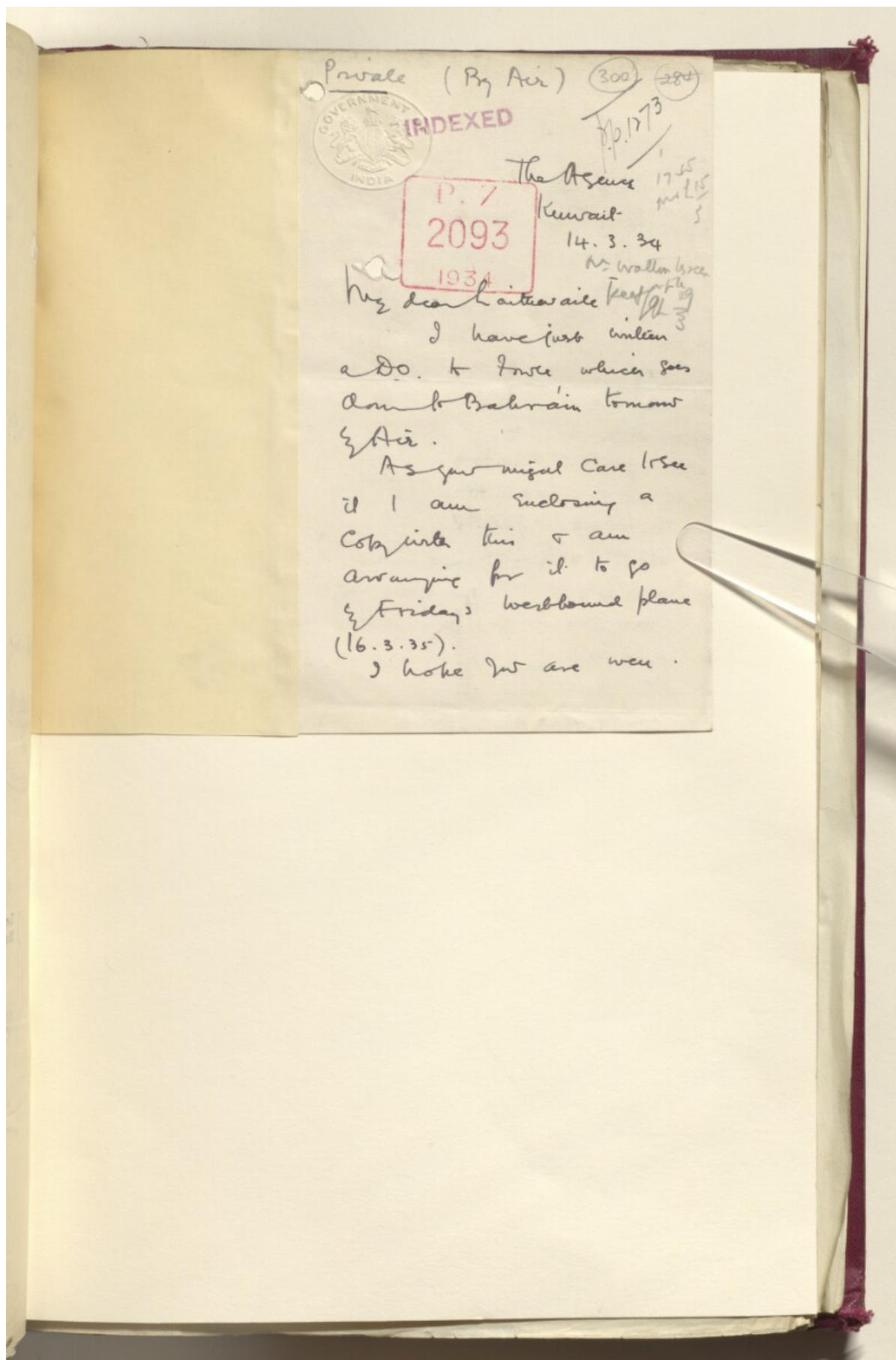
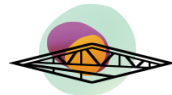
To(2). " " Printed Letter No. 287-S of 7th March 1934.

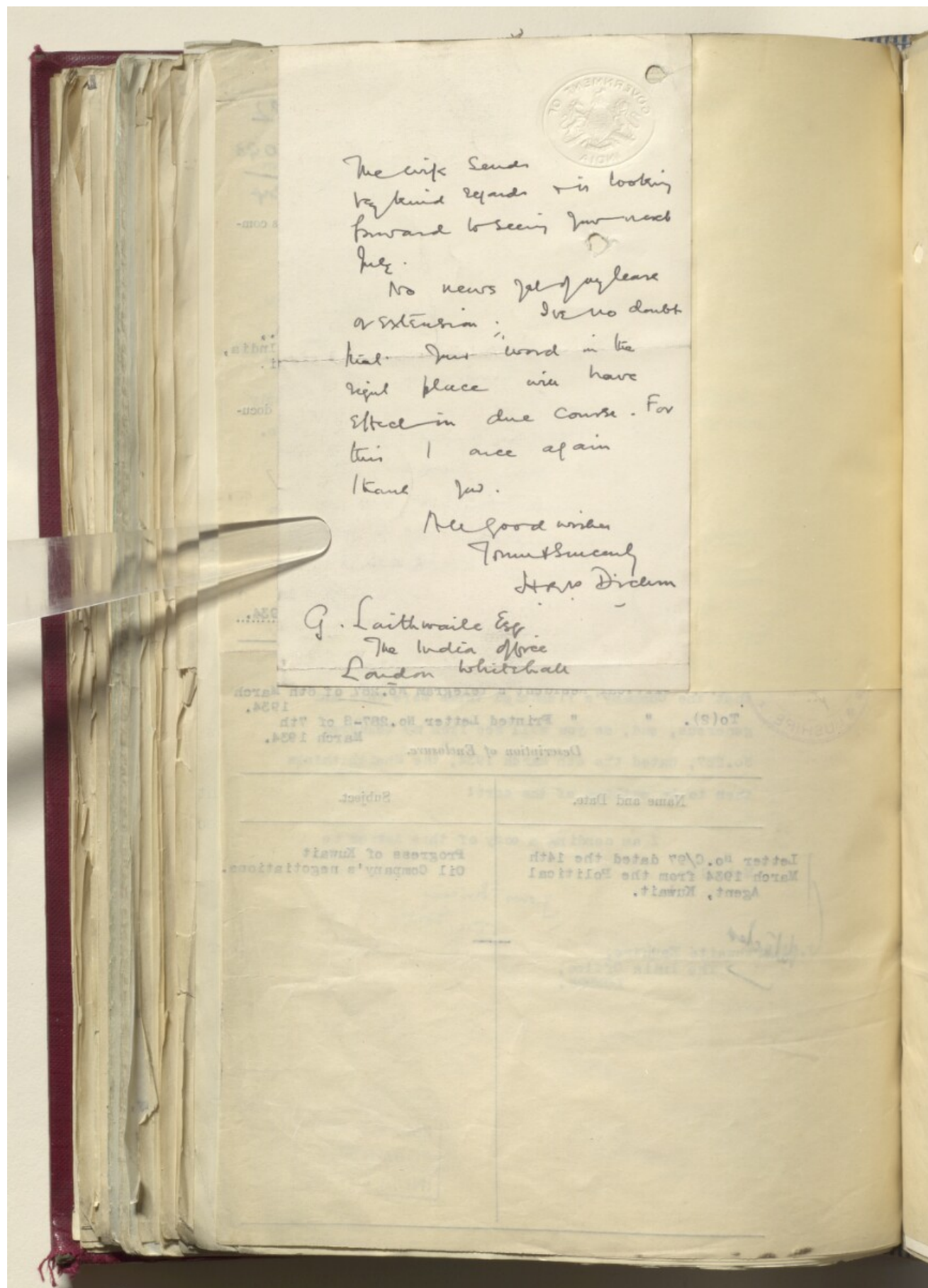
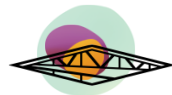
Description of Enclosure.

Name and Date.	Subject.
Letter No. C/97 dated the 14th March 1934 from the Political Agent, Kuwait. <i>Attached</i>	Progress of Kuwait Oil Company's negotiations.

INDIA OFFICE









By Air Mail to Bahrain to catch the Hon'ble the Political Resident en route to India.

CONFIDENTIAL.

D.O.No.C-97.

POLITICAL AGENCY,

KUWAIT.

Dated the 14th March 1934.

P. /
2093
1934

My dear Fowle,

Progress of Kuwait Oil Company's Negotiations.

In continuation of my Confidential D.O.No.C-84, dated the 1st March 1934, I am sending this down to you to Bahrain by the hand of Imperial Airways pilot, so that you can get an idea how Chisholm and Holmes have progressed with their new draft "Concession" since they arrived.

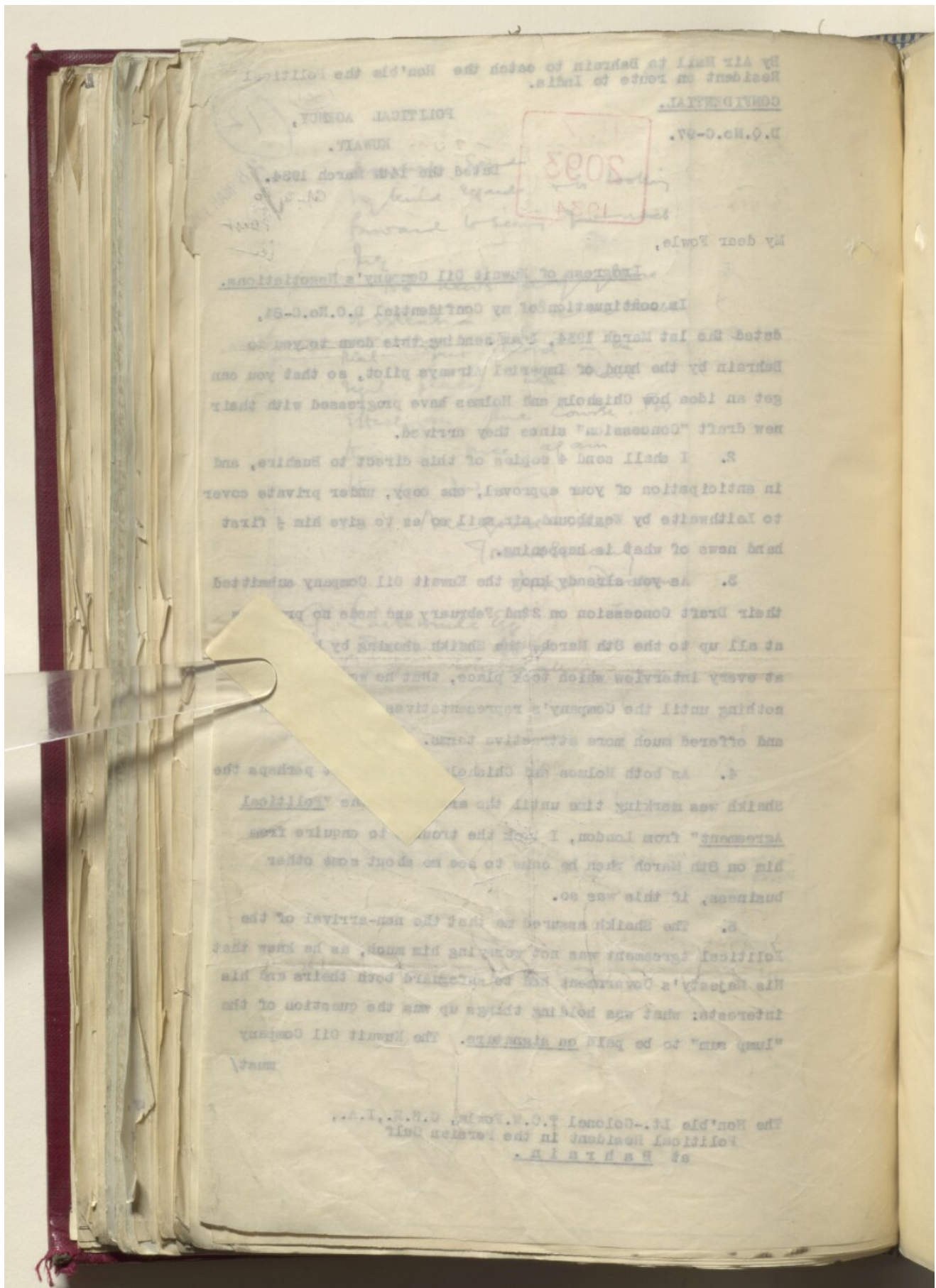
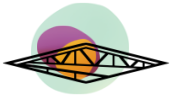
2. I shall send 4 copies of this direct to Bushire, and in anticipation of your approval, one copy, under private cover to Laithwaite by Westbound air mail so as to give him a first hand news of what is happening.

3. As you already know the Kuwait Oil Company submitted their Draft Concession on 32nd February and made no progress at all up to the 8th March, the Shaikh showing by his manner, at every interview which took place, that he would discuss nothing until the Company's representatives talked reason and offered much more attractive terms.

4. As both Holmes and Chisholm thought that perhaps the Shaikh was marking time until the arrival of the "Political Agreement" from London, I took the trouble to enquire from him on 8th March when he came to see me about some other business, if this was so.

5. The Shaikh assured me that the non-arrival of the Political Agreement was not worrying him much, as he knew that His Majesty's Government had to safeguard both theirs and his interests: what was holding things up was the question of the "lump sum" to be paid on signature. The Kuwait Oil Company must/

The Hon'ble Lt.-Colonel T.C.W.Fowle, C.B.E., I.A.,
Political Resident in the Persian Gulf
at Bahrain.





- 2 -

must, he said, offer a reasonable figure, or he would have none of them. There were one or two other small items which he wished to get altered in the Draft Agreement, but these were unimportant as compared with the "lump sum" on signature.

6. The same evening I suggested to Chisholm and Holmes that they might, instead of beating about the bush with the Shaikh, ask him point blank what he wanted and thought a fit figure for them to offer, as if they could get that, it would be a distinct advance, on what was happening, and they could then start beating him down to a reasonable figure.

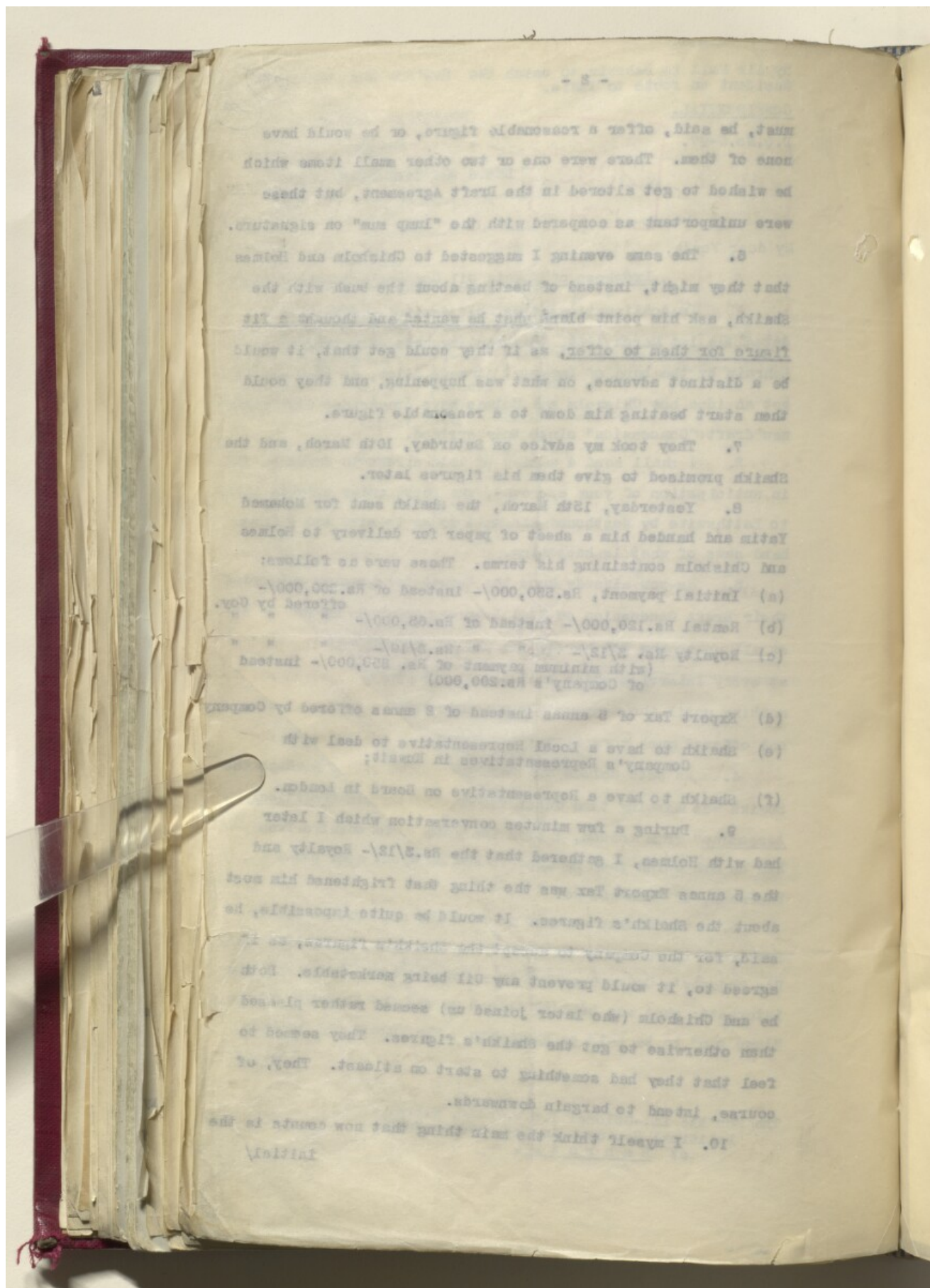
7. They took my advice on Saturday, 10th March, and the Shaikh promised to give them his figures later.

8. Yesterday, 13th March, the Shaikh sent for Mohamed Yatim and handed him a sheet of paper for delivery to Holmes and Chisholm containing his terms. These were as follows:

- (a) Initial payment, Rs.550,000/- instead of Rs.200,000/- offered by Coy.
- (b) Rental Rs.120,000/- instead of Rs.65,000/- " " "
- (c) Royalty Rs. 3/12/- " " Rs.2/10/- " " "
(with minimum payment of Rs. 250,000/- instead of Company's Rs.200,000)
- (d) Export Tax of 5 annas instead of 2 annas offered by Company
- (e) Shaikh to have a Local Representative to deal with Company's Representatives in Kuwait;
- (f) Shaikh to have a Representative on Board in London.

9. During a few minutes conversation which I later had with Holmes, I gathered that the Rs.3/12/- Royalty and the 5 annas Export Tax was the thing that frightened him most about the Shaikh's figures. It would be quite impossible, he said, for the Company to accept the Shaikh's figures, as if agreed to, it would prevent any Oil being marketable. Both he and Chisholm (who later joined us) seemed rather pleased than otherwise to get the Shaikh's figures. They seemed to feel that they had something to start on atleast. They, of course, intend to bargain downwards.

10. I myself think the main thing that now counts is the initial/





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initial payment on signature ('a' above): but I do not think the Shaikh will accept anything below Rs. 250,000. This, of course, is my private view only.

I also think that provided the Company can get the Shaikh to agree to something reasonable as regards Royalty and Export Tax ('c' above), they should not waste time about the "initial figure", but should act big and generously. It is most important to my mind to arrive at a quick decision. Holmes, I believe, thinks, as I do, though Chisholm appears to be more keen on bargaining. In this matter I value Holmes opinion more than that of Chisholm, as he knows much more of the Shaikh's psychological "make up".

11. I have a shrewd suspicion that perhaps both Holmes and Chisholm think that I have been giving the Shaikh advice; needless to say I have done nothing of the kind. I am leaving him entirely to himself at present.

12. I have also noticed a slight tendency on the part of Holmes and Chisholm to distrust each other, which is a pity this between ourselves. Holmes appears to be in favour of each of them seeing the Shaikh separately, but Chisholm does not agree. Holmes' idea is that the Shaikh will "thaw" somewhat if he sees him alone, and complains that when they are both present together, the Shaikh is as stiff and non-committal as the proverbial "poker".

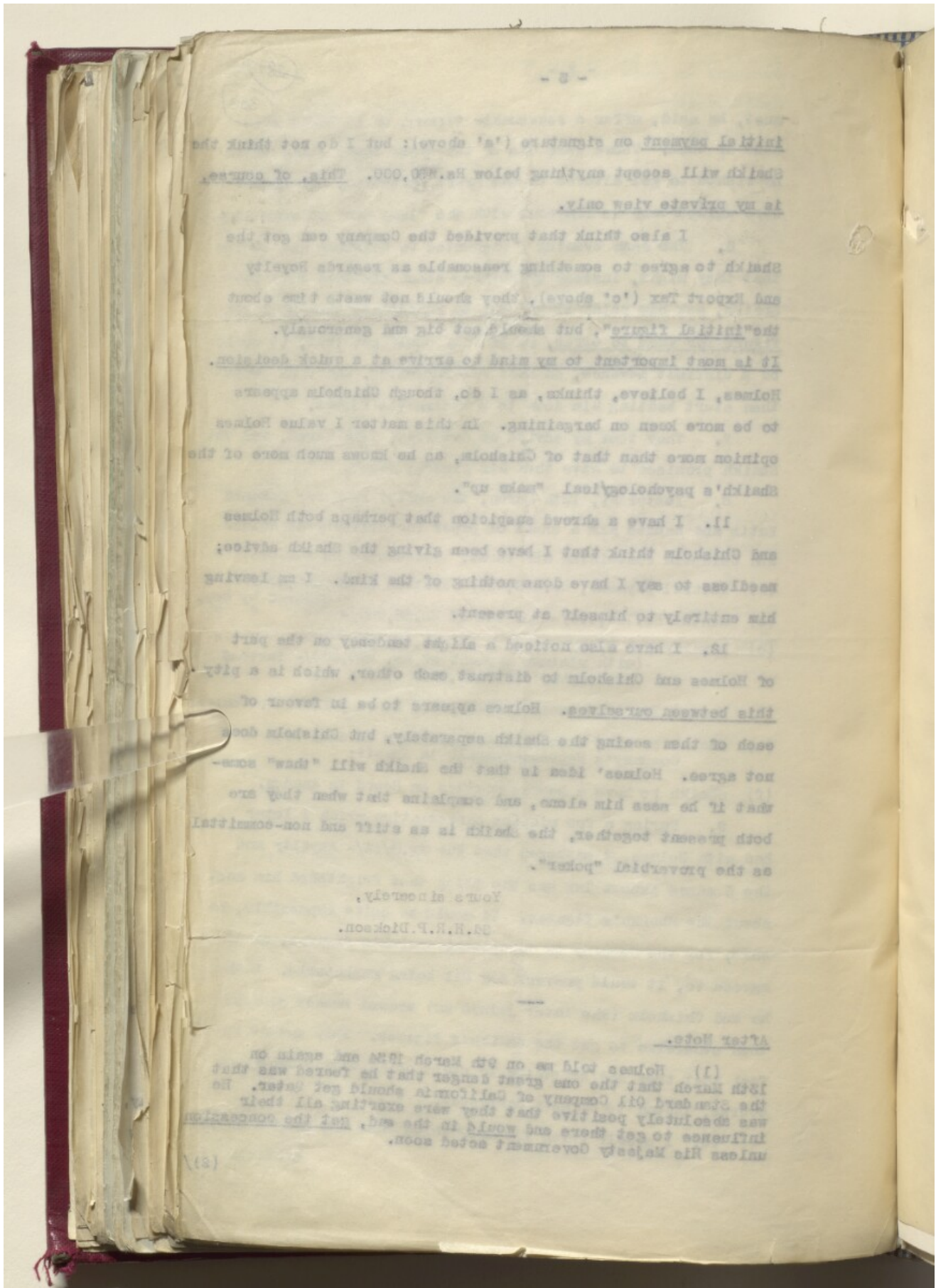
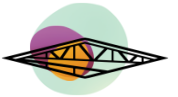
Yours sincerely,

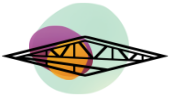
Sd.H.R.P.Dickson.

After Note.

(1) Holmes told me on 9th March 1934 and again on 13th March that the one great danger that he feared was that the Standard Oil Company of California should get Qatar. He was absolutely positive that they were exerting all their influence to get there and would in the end, get the concession unless His Majesty Government acted soon.

(2)/





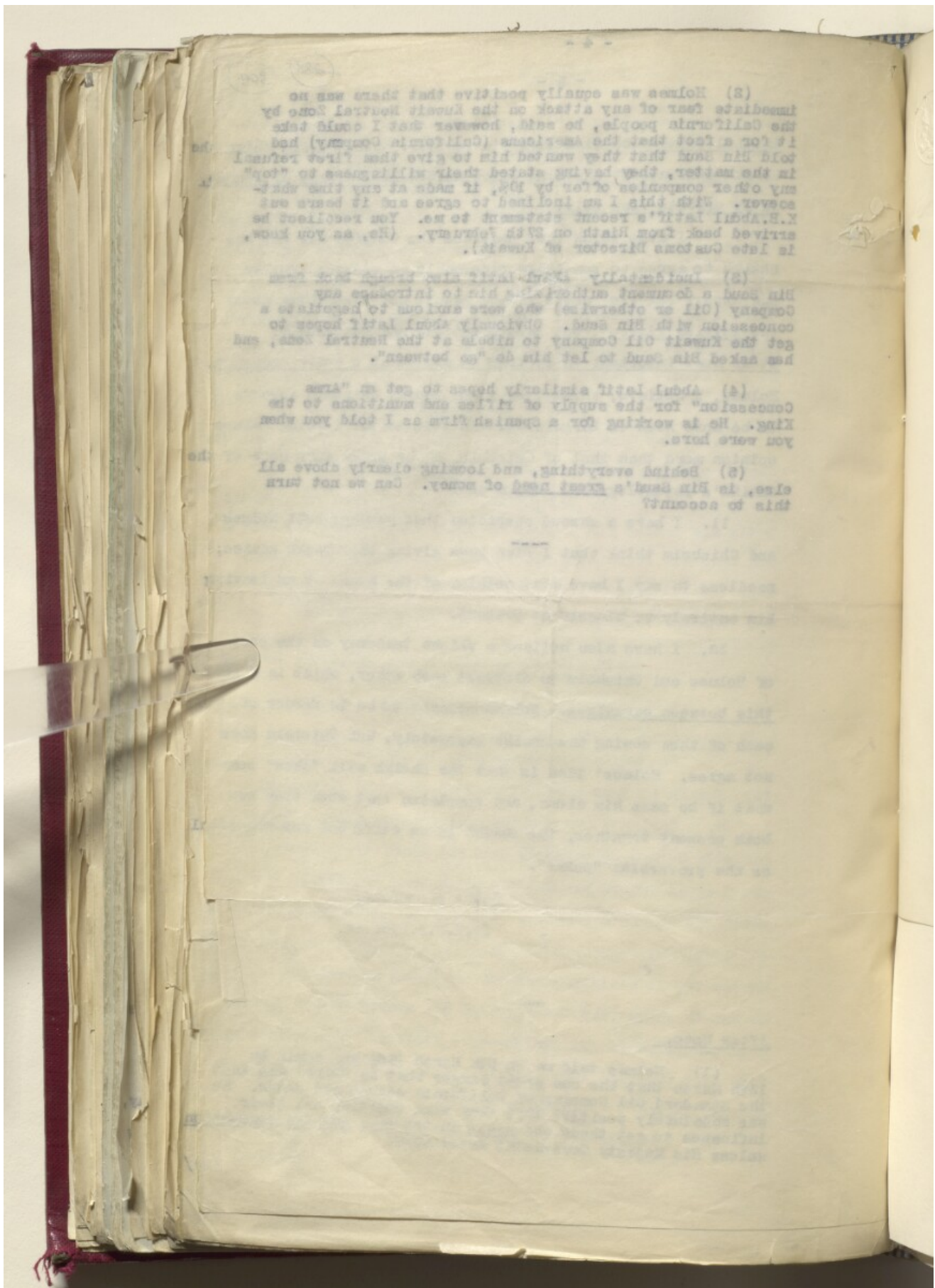
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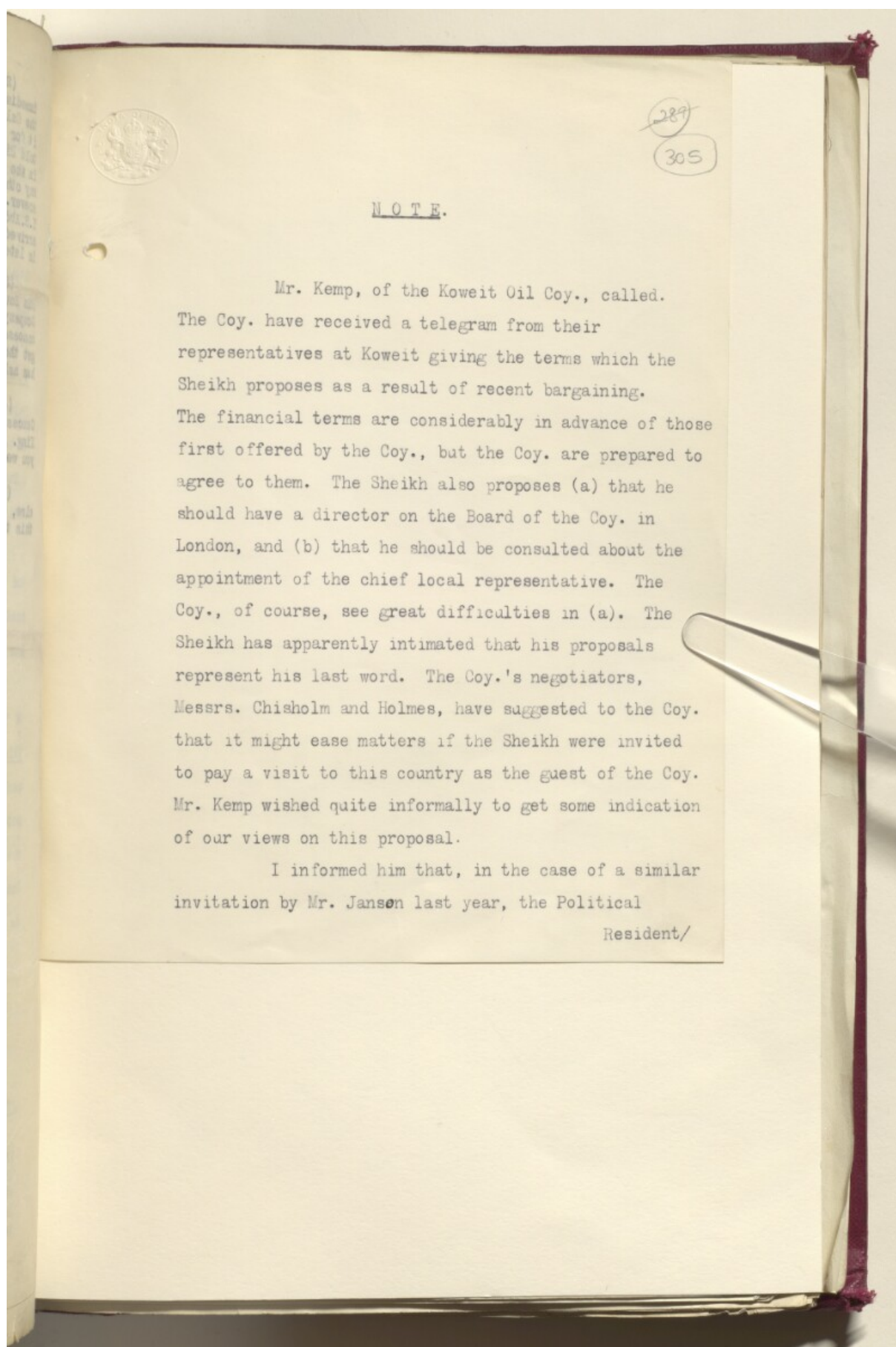
(2) Holmes was equally positive that there was no immediate fear of any attack on the Kuwait Neutral Zone by the California people, he said, however that I could take it for a fact that the Americans (California Company) had told Bin Saud that they wanted him to give them first refusal in the matter, they having stated their willingness to "top" any other companies' offer by 10%, if made at any time whatsoever. With this I am inclined to agree and it bears out K.B. Abdul Latif's recent statement to me. You recollect he arrived back from Riath on 27th February. (He, as you know, is late Customs Director of Kuwait).

(3) Incidentally Abdul Latif also brought back from Bin Saud a document authorizing him to introduce any Company (Oil or otherwise) who were anxious to negotiate a concession with Bin Saud. Obviously Abdul Latif hopes to get the Kuwait Oil Company to nibble at the Neutral Zone, and has asked Bin Saud to let him do "go between".

(4) Abdul Latif similarly hopes to get an "Arms Concession" for the supply of rifles and munitions to the King. He is working for a Spanish firm as I told you when you were here.

(5) Behind everything, and looming clearly above all else, is Bin Saud's great need of money. Can we not turn this to account?

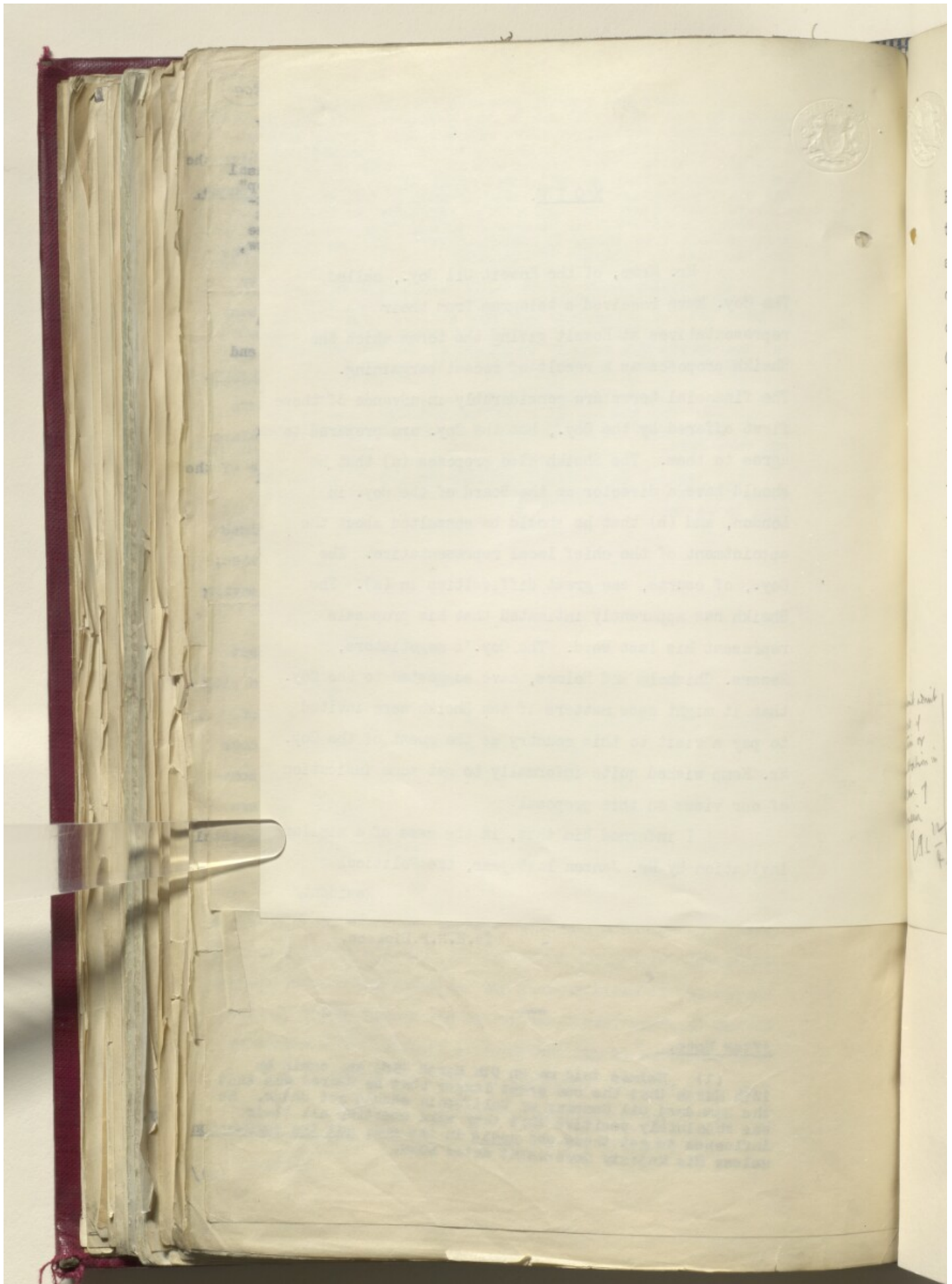
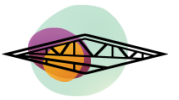




NOTE.

Mr. Kemp, of the Koweit Oil Coy., called. The Coy. have received a telegram from their representatives at Koweit giving the terms which the Sheikh proposes as a result of recent bargaining. The financial terms are considerably in advance of those first offered by the Coy., but the Coy. are prepared to agree to them. The Sheikh also proposes (a) that he should have a director on the Board of the Coy. in London, and (b) that he should be consulted about the appointment of the chief local representative. The Coy., of course, see great difficulties in (a). The Sheikh has apparently intimated that his proposals represent his last word. The Coy.'s negotiators, Messrs. Chisholm and Holmes, have suggested to the Coy. that it might ease matters if the Sheikh were invited to pay a visit to this country as the guest of the Coy. Mr. Kemp wished quite informally to get some indication of our views on this proposal.

I informed him that, in the case of a similar invitation by Mr. Jansen last year, the Political
Resident/



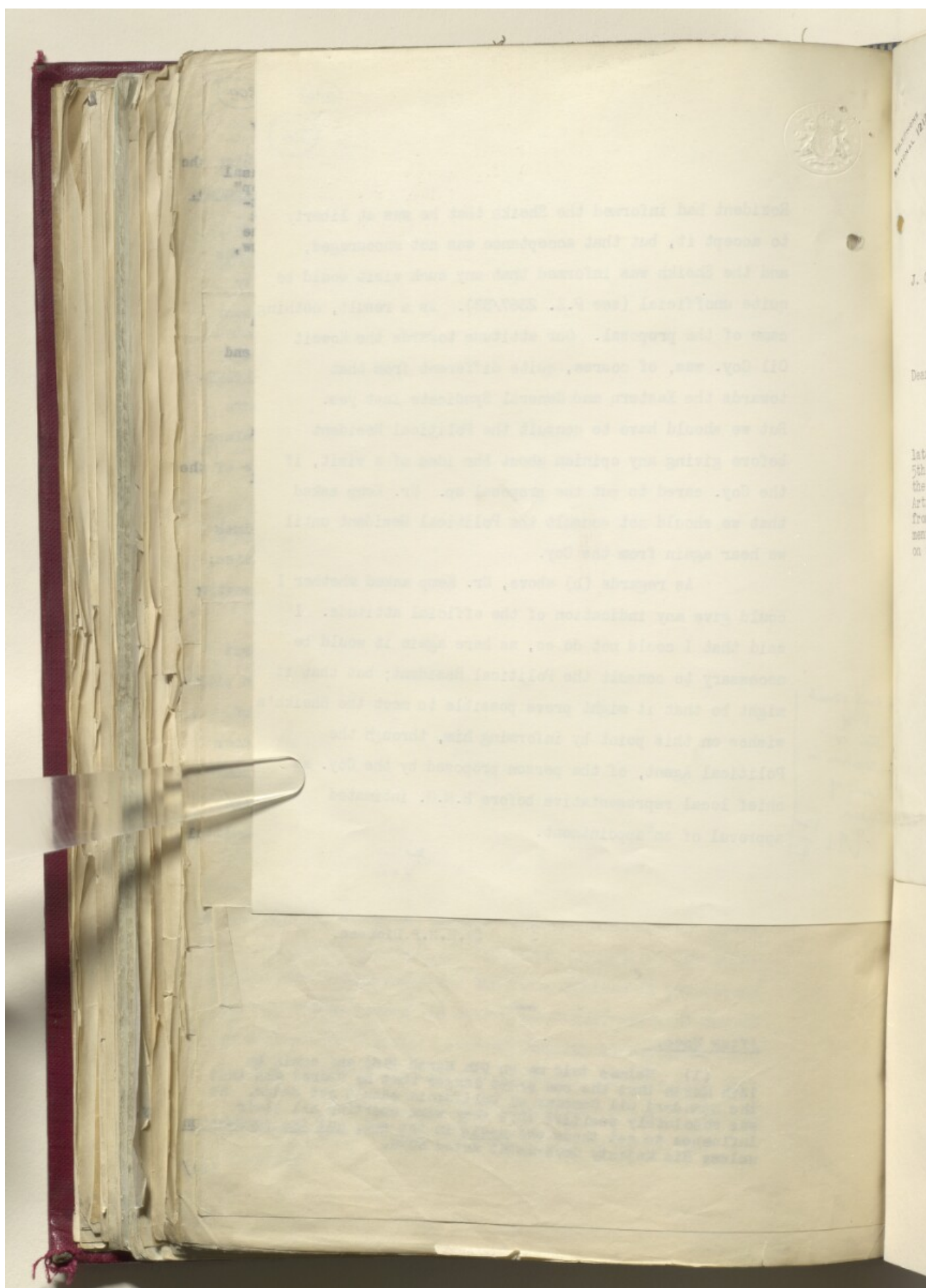


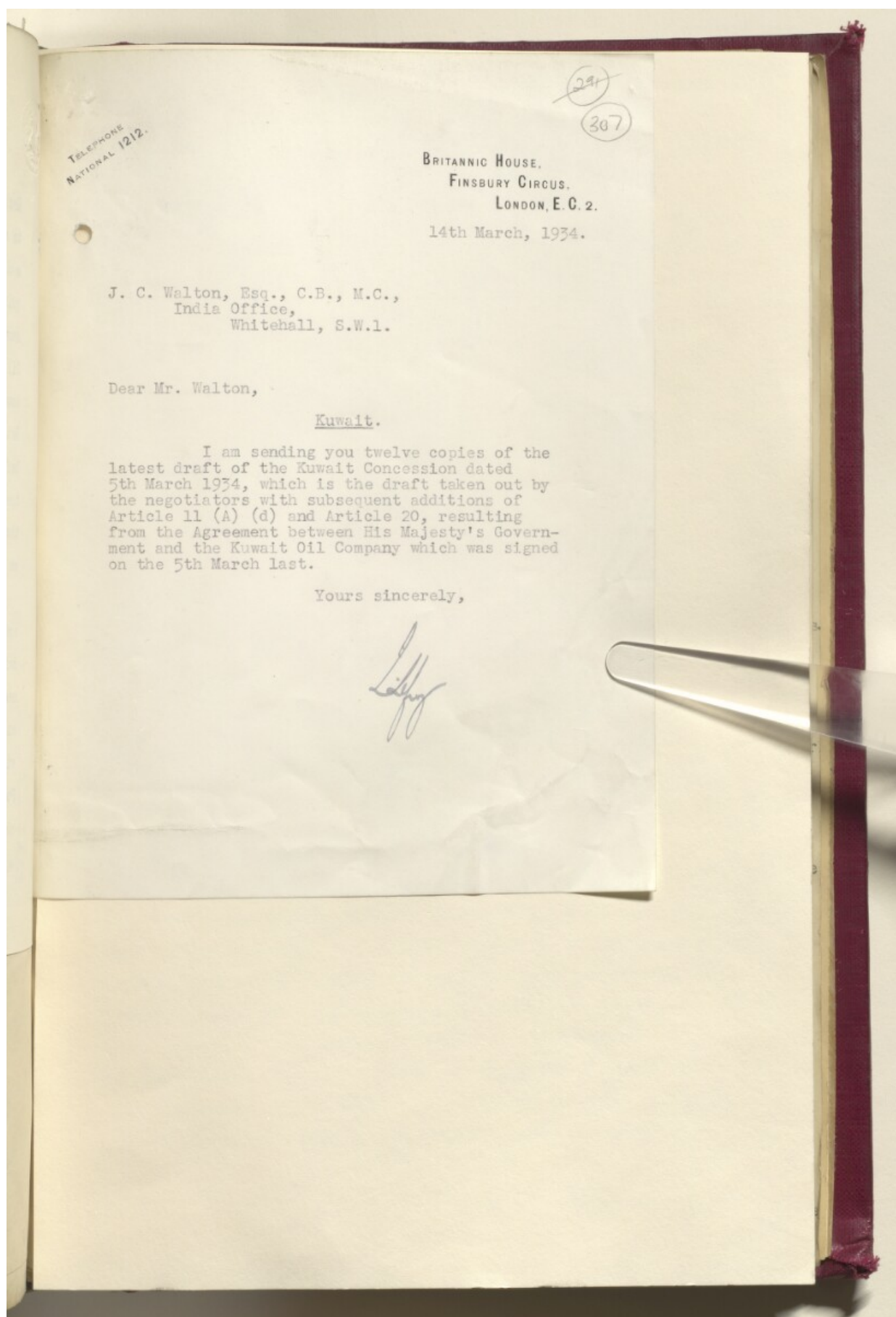
Resident had informed the Sheikh that he was at liberty to accept it, but that acceptance was not encouraged, and the Sheikh was informed that any such visit would be quite unofficial (see P.Z. 2367/33). As a result, nothing came of the proposal. Our attitude towards the Koweit Oil Coy. was, of course, quite different from that towards the Eastern and General Syndicate last year. But we should have to consult the Political Resident before giving any opinion about the idea of a visit, if the Coy. cared to put the proposal up. Mr. Kemp asked that we should not consult the Political Resident until we hear again from the Coy.

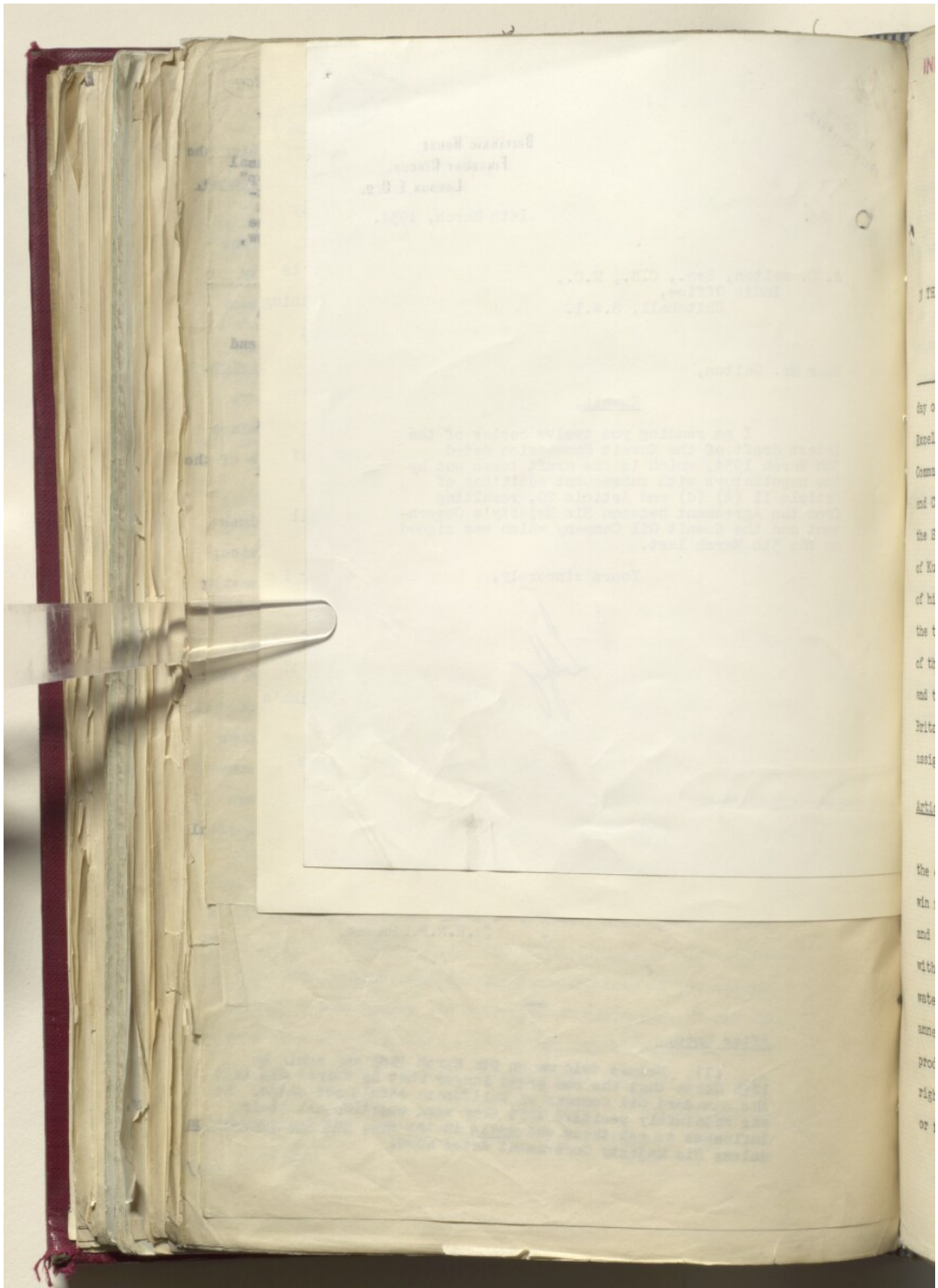
As regards (b) above, Mr. Kemp asked whether I could give any indication of the official attitude. I said that I could not do so, as here again it would be necessary to consult the Political Resident; but that it might be that it might prove possible to meet the Sheikh's wishes on this point by informing him, through the Political Agent, of the person proposed by the Coy. as chief local representative before H.M.G. intimated approval of an appointment.

*I don't admit
right of
intervention or
consultation in
this case
I remain
Yours
L. L. 12/4*

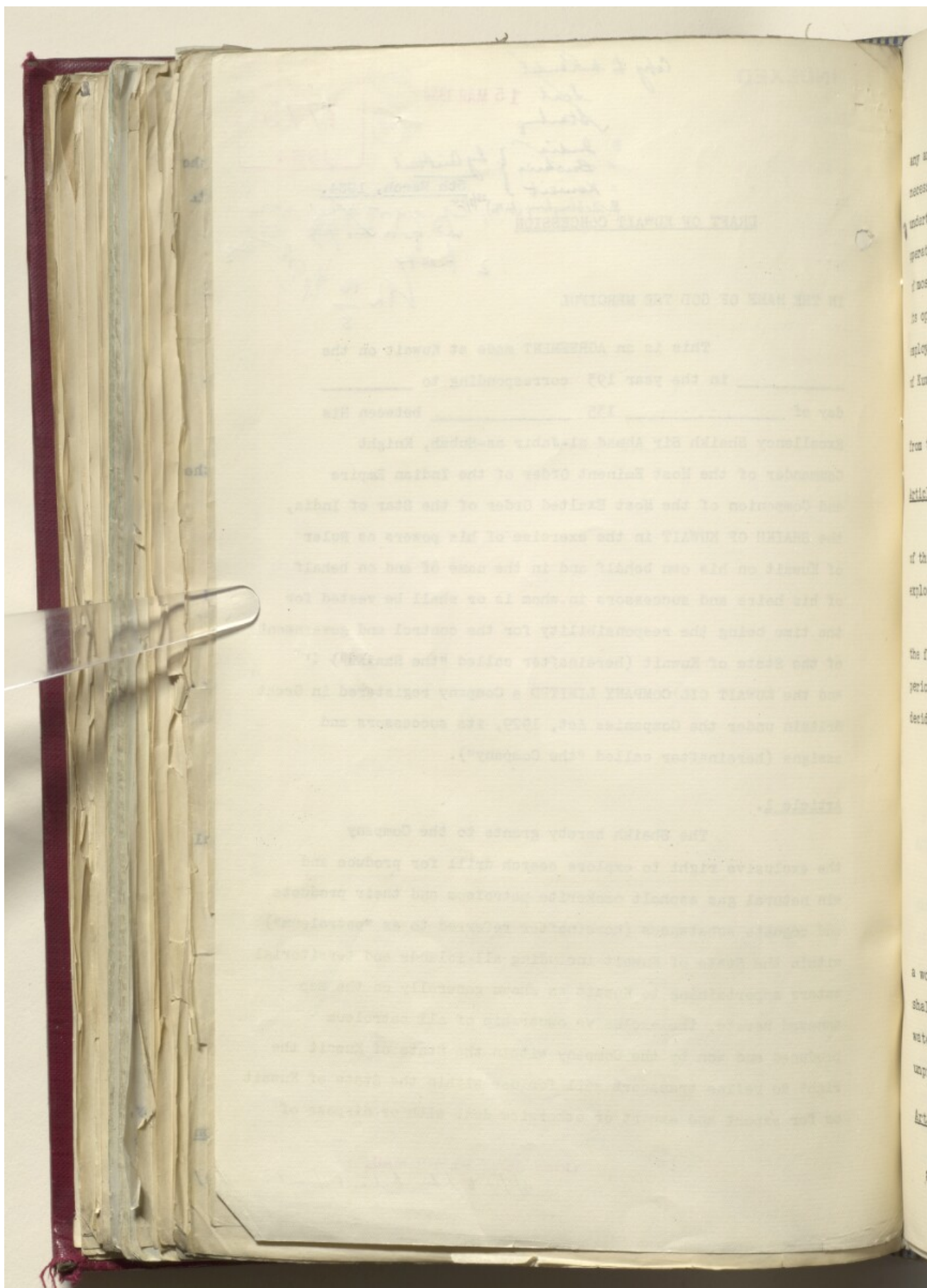
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of 16/3/34 to India Bureau & Harrow.





2.

any and all such petroleum and the right to do all things necessary for the purposes of those operations. The Company undertakes however that it will not carry on any of its operations within areas occupied by or devoted to the purposes of mosques sacred buildings or graveyards or carry on any of its operations except the sale of petroleum housing of staff and employees and administrative work within the present town wall of Kuwait.

The period of this Agreement shall be 75 years from the date of signature.

Article 2.

(A) Within nine months from the date of signature of this Agreement the Company shall commence geological exploration.

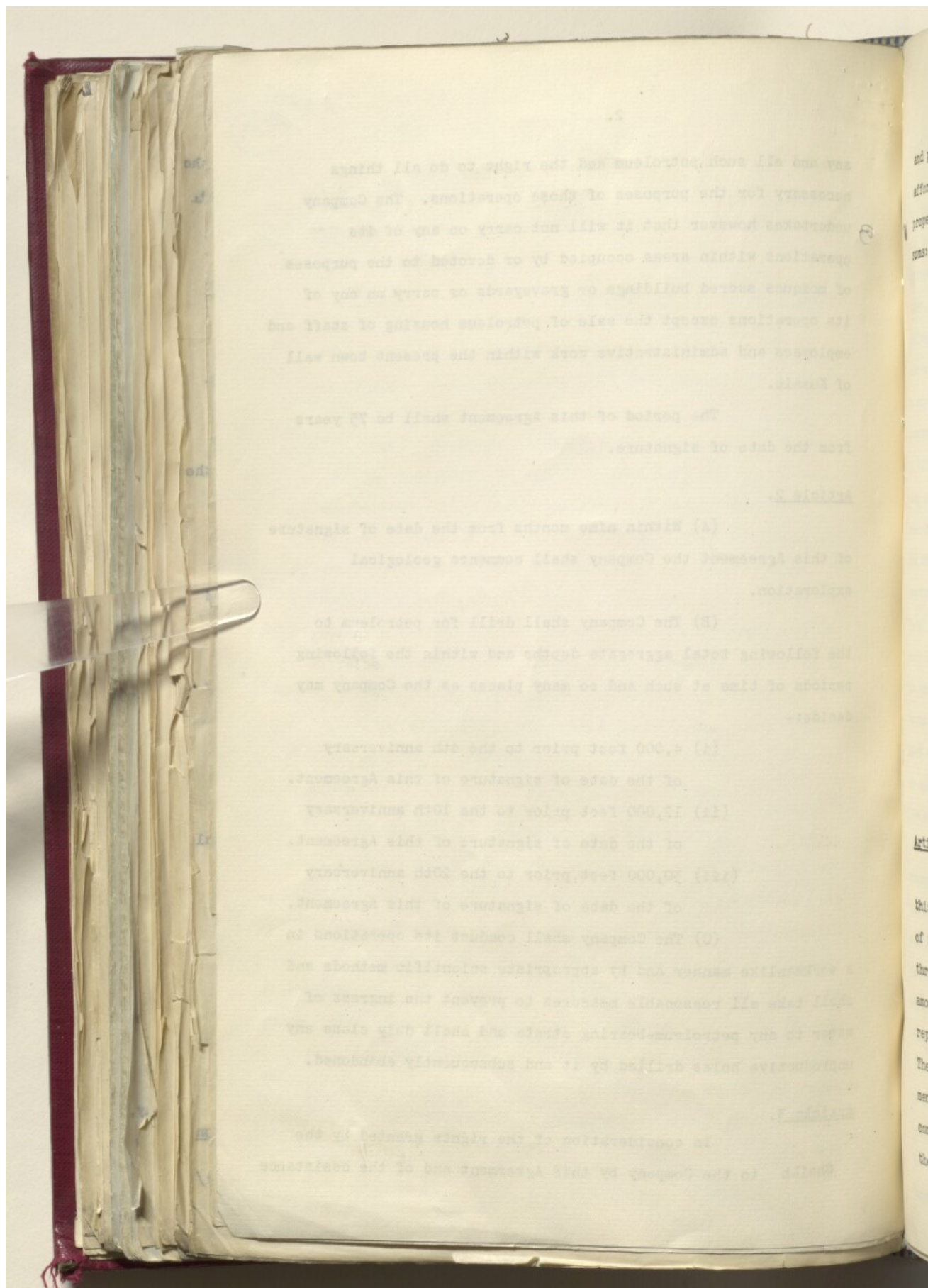
(B) The Company shall drill for petroleum to the following total aggregate depths and within the following periods of time at such and so many places as the Company may decide:-

- (i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.
- (ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.
- (iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

(C) The Company shall conduct its operations in a workmanlike manner and by appropriate scientific methods and shall take all reasonable measures to prevent the ingress of water to any petroleum-bearing strata and shall duly close any unproductive holes drilled by it and subsequently abandoned.

Article 3.

In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance





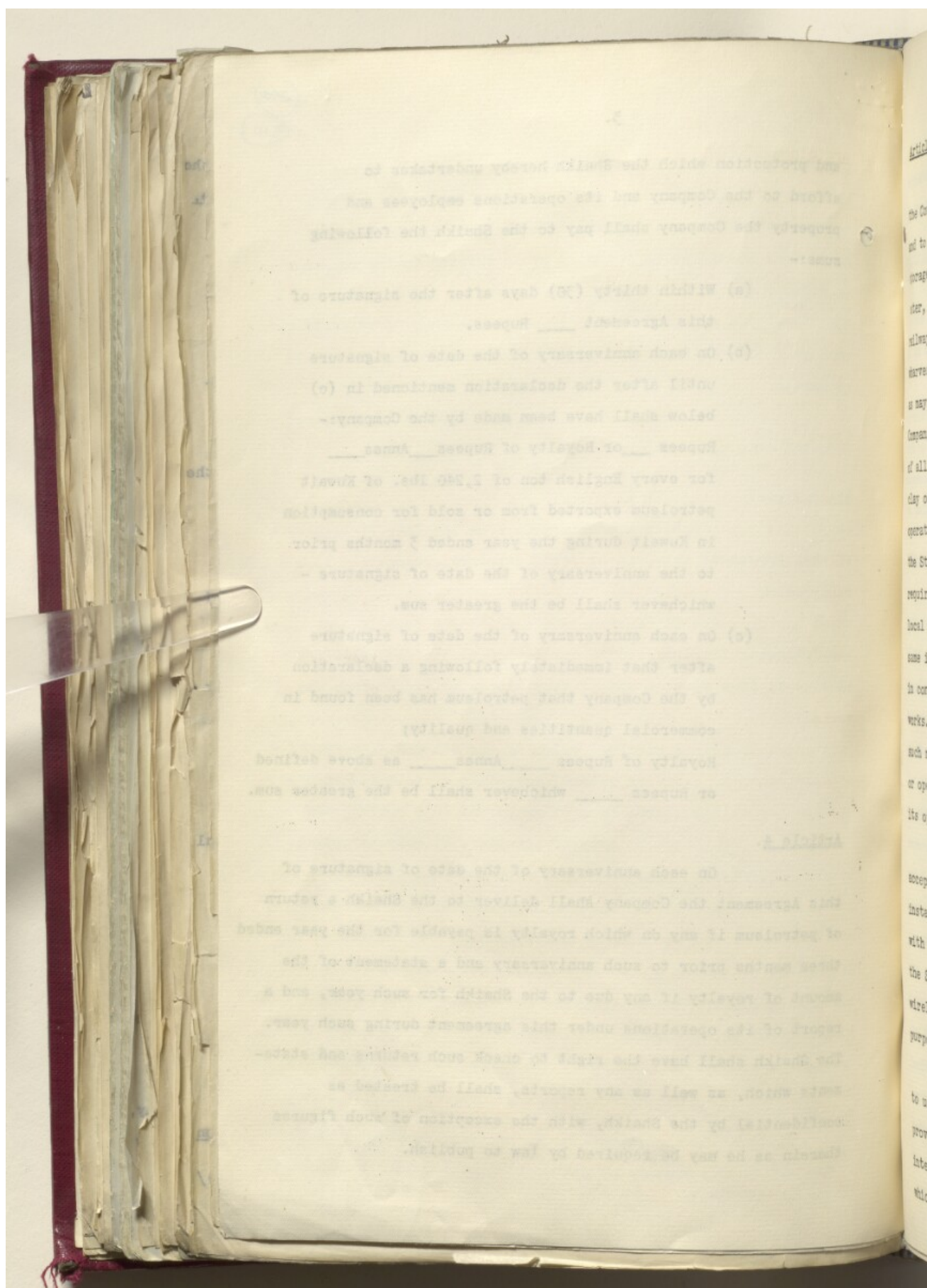
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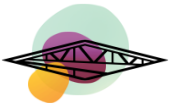
and protection which the Shaikh hereby undertakes to afford to the Company and its operations employees and property the Company shall pay to the Shaikh the following sums:-

- (a) Within thirty (30) days after the signature of this Agreement ____ Rupees.
- (b) On each anniversary of the date of signature until after the declaration mentioned in (c) below shall have been made by the Company:-
Rupees ____ or Royalty of Rupees ____ Annas ____
for every English ton of 2,240 lbs. of Kuwait petroleum exported from or sold for consumption in Kuwait during the year ended 3 months prior to the anniversary of the date of signature - whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after that immediately following a declaration by the Company that petroleum has been found in commercial quantities and quality;
Royalty of Rupees ____ Annas ____ as above defined or Rupees ____ whichever shall be the greater sum.

Article 4.

On each anniversary of the date of signature of this Agreement the Company shall deliver to the Shaikh a return of petroleum if any on which royalty is payable for the year ended three months prior to such anniversary and a statement of the amount of royalty if any due to the Shaikh for such year, and a report of its operations under this agreement during such year. The Shaikh shall have the right to check such returns and statements which, as well as any reports, shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may be required by law to publish.





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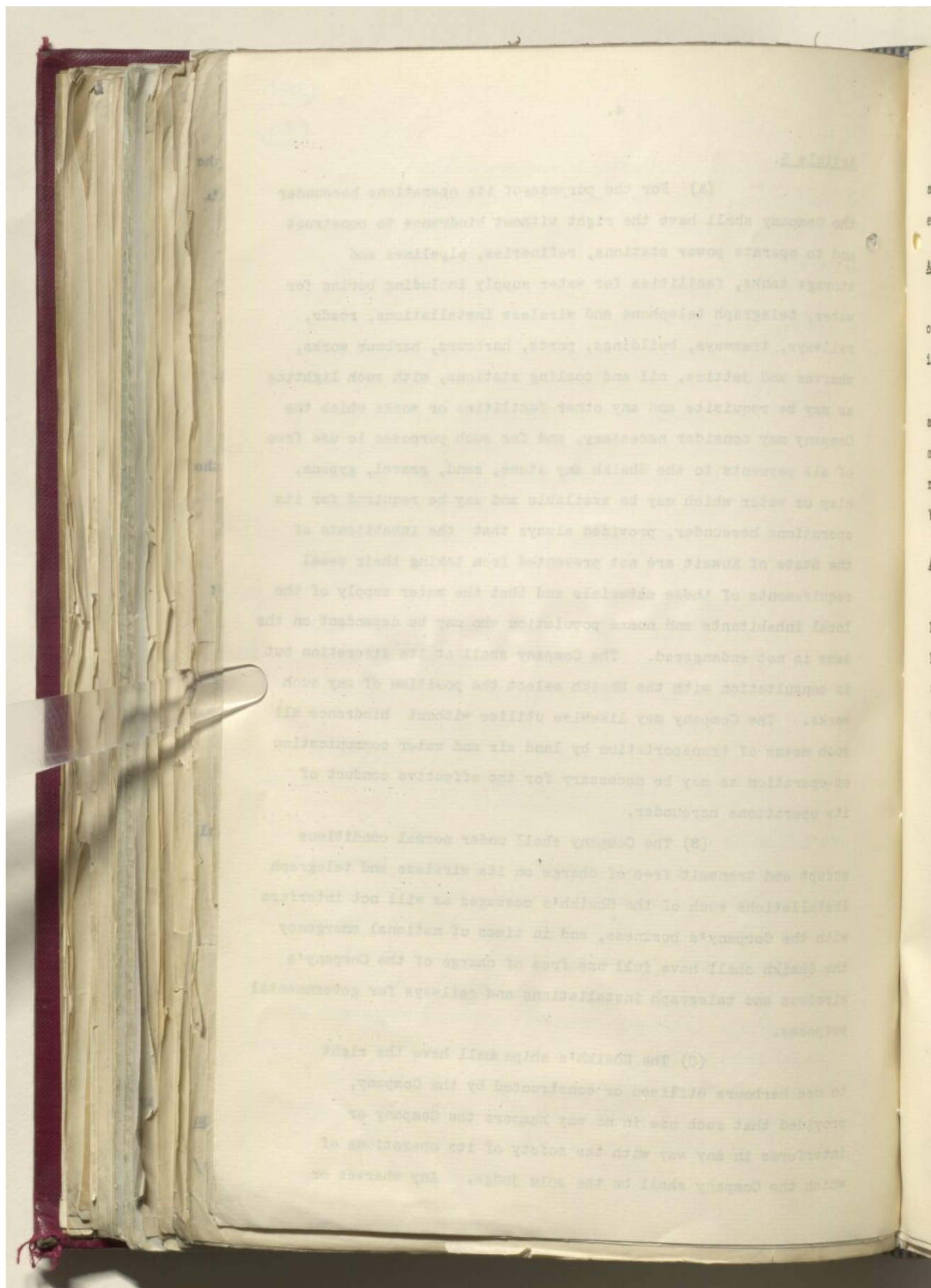
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Article 5.

(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary, and for such purposes to use free of all payments to the Shaikh any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the inhabitants of the State of Kuwait are not prevented from taking their usual requirements of these materials and that the water supply of the local inhabitants and nomad population who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such of the Shaikh's messages as will not interfere with the Company's business, and in times of national emergency the Shaikh shall have full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes.

(C) The Shaikh's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or





5.

appurtenances constructed by the Company shall be for its exclusive use.

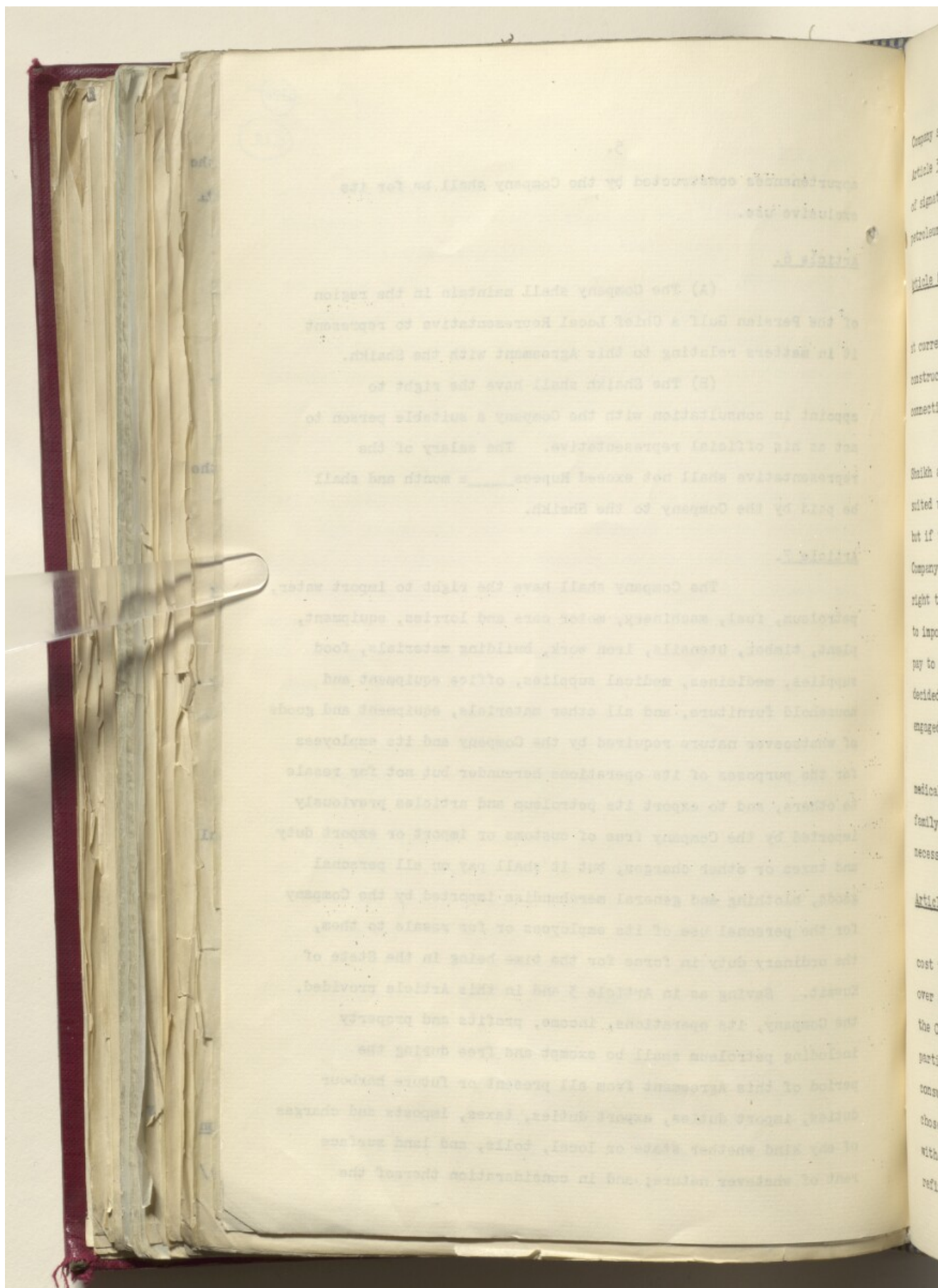
Article 6.

(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh.

(B) The Shaikh shall have the right to appoint in consultation with the Company a suitable person to act as his official representative. The salary of the representative shall not exceed Rupees _____ a month and shall be paid by the Company to the Shaikh.

Article 7.

The Company shall have the right to import water, petroleum, fuel, machinery, motor cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the





6.

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Company shall in addition to the payments provided for in Article 3 pay to the Shaikh on each anniversary of the date of signature of this Agreement _____ annas per ton of petroleum on which royalty is payable.

Article 8.

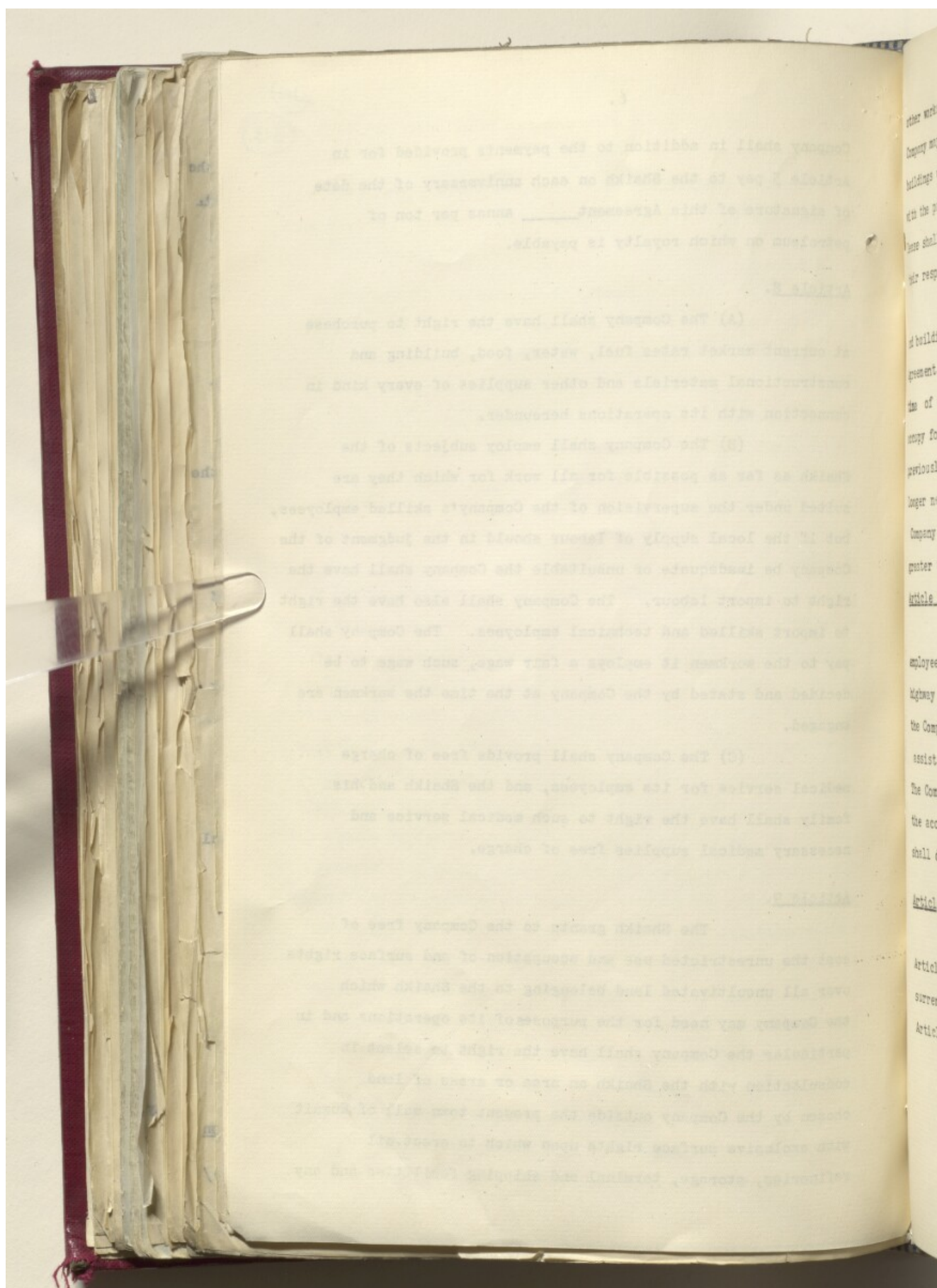
(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right to import labour. The Company shall also have the right to import skilled and technical employees. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Shaikh and his family shall have the right to such medical service and necessary medical supplies free of charge.

Article 9.

The Shaikh grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Shaikh which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Shaikh an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any





7.

other works required for the Company's operations; and the Company may buy or lease for such purposes any lands houses or buildings with the consent of and on conditions to be arranged with the proprietors thereof but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities.

The Company shall acquire only such land houses and buildings as are necessary for its operations under this Agreement. The Company shall inform the Shaikh from time to time of the land houses and buildings which it requires to occupy for its operations; and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh at a cost which in any case shall not be greater than that paid by the Company.

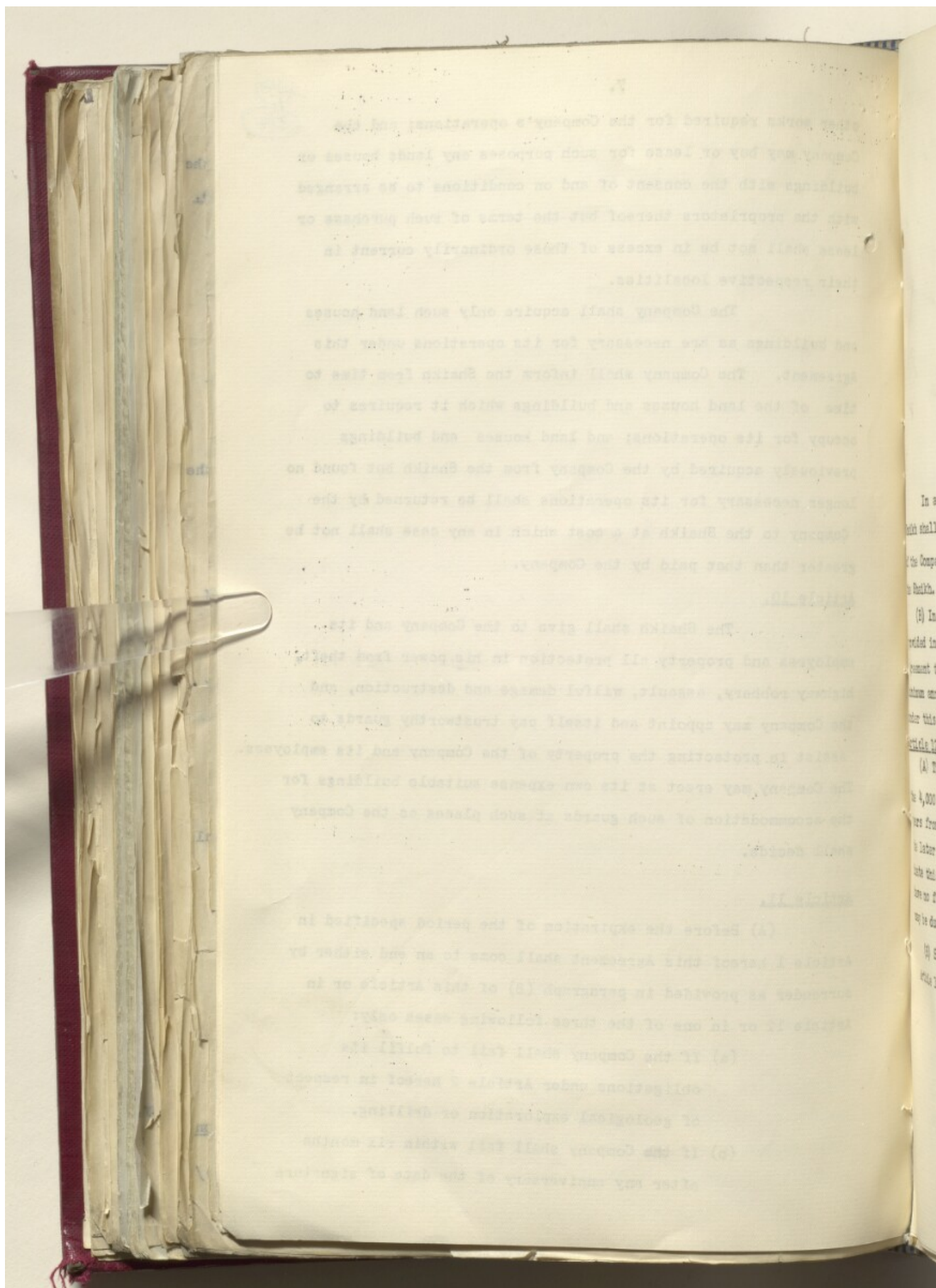
Article 10.

The Shaikh shall give to the Company and its employees and property all protection in his power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint and itself pay trustworthy guards to assist in protecting the property of the Company and its employees. The Company may erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.

(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases only:

- (a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.
- (b) If the Company shall fail within six months after any anniversary of the date of signature





8.

of this Agreement to make to the Shaikh
any payments agreed to be due under Article 3.

- (c) If the Company shall be in default under the arbitration provisions of Article 18.
- (d) If the Company shall fail to observe any of the terms of the Agreement between the Company and His Majesty's Government signed in London on 5th March, 1934, and, if the matter is referred to arbitration under Article 18, fail to remedy such failure within the reasonable time which shall be fixed by the arbitrators for so doing.

In any one of the above mentioned cases and in no other the Shaikh shall be entitled to terminate this Agreement and all the property of the Company within the State of Kuwait shall become the property of the Shaikh.

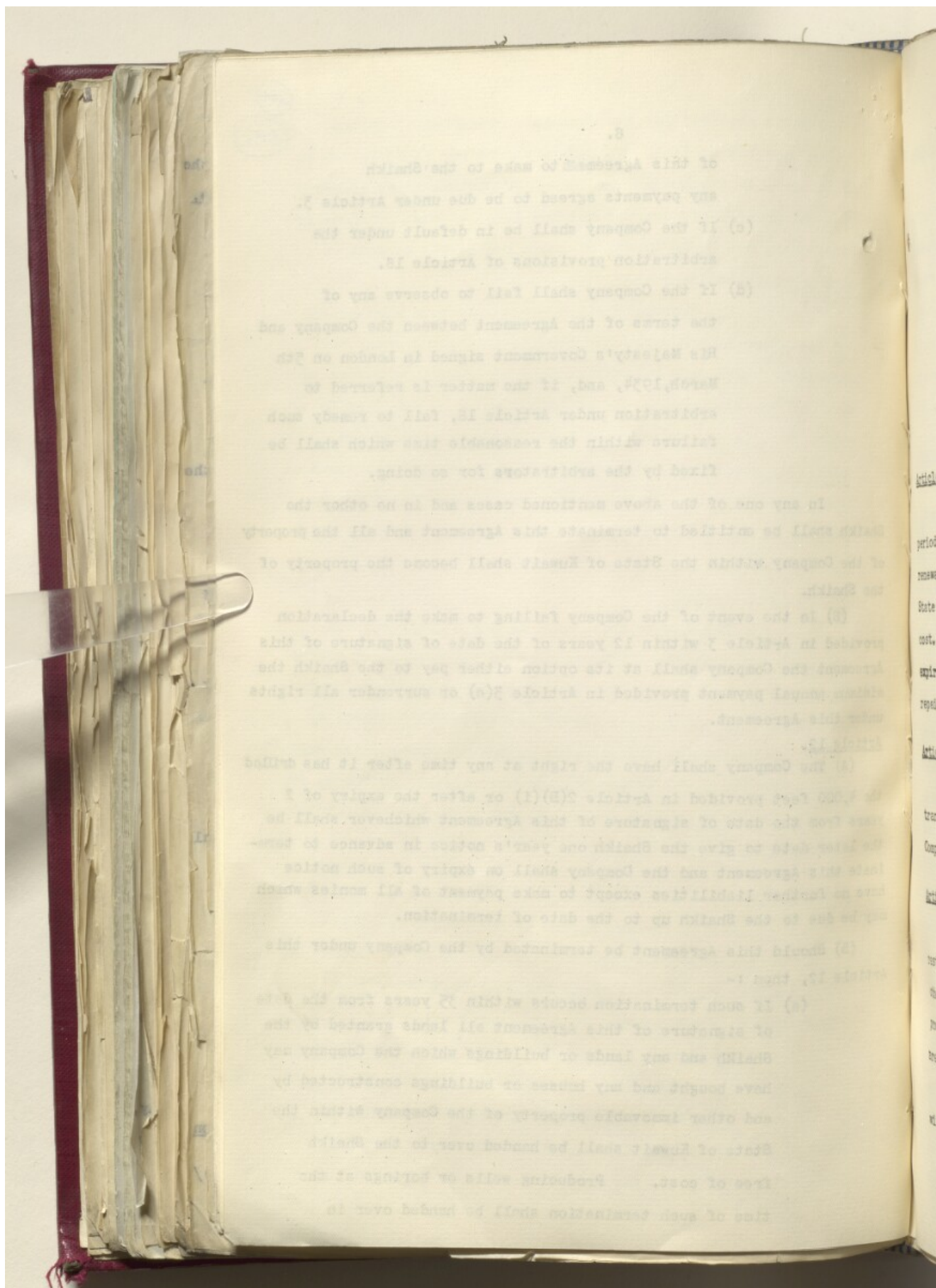
(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Shaikh the minimum annual payment provided in Article 3(c) or surrender all rights under this Agreement.

Article 12.

(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2(B)(1) or after the expiry of 2 years from the date of signature of this Agreement whichever shall be the later date to give the Shaikh one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Shaikh up to the date of termination.

(B) Should this Agreement be terminated by the Company under this Article 12, then :-

- (a) If such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in





9.

reasonably good order and repair.

but

- (b) If such termination occurs after 35 years from the date of signature of this Agreement all the property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

Article 13.

On the expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such expiry shall be handed over in reasonably good order and repair.

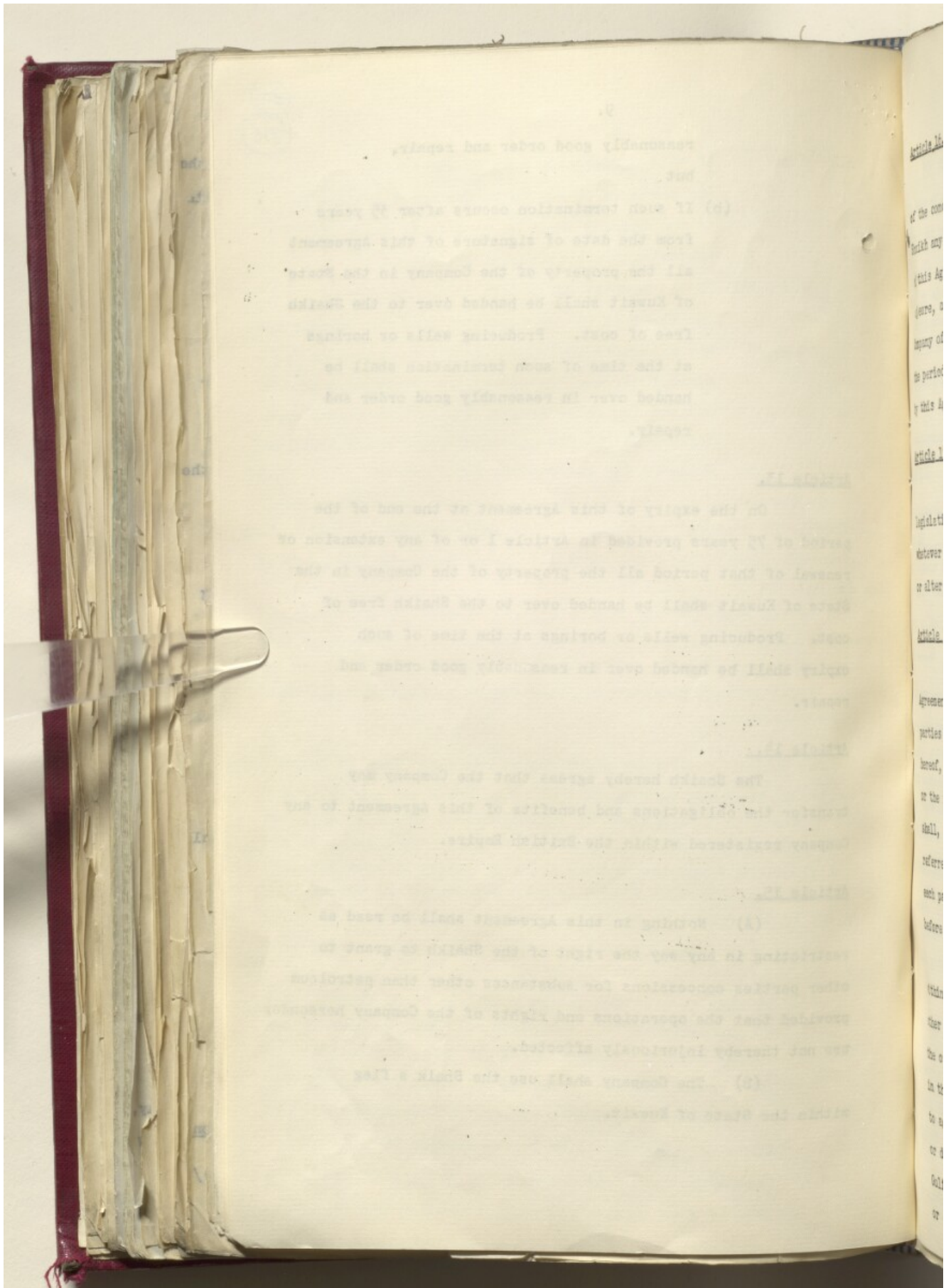
Article 14.

The Shaikh hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered within the British Empire.

Article 15.

(A) Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

(B) The Company shall use the Shaikh's flag within the State of Kuwait.





10.

Article 16.

Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.

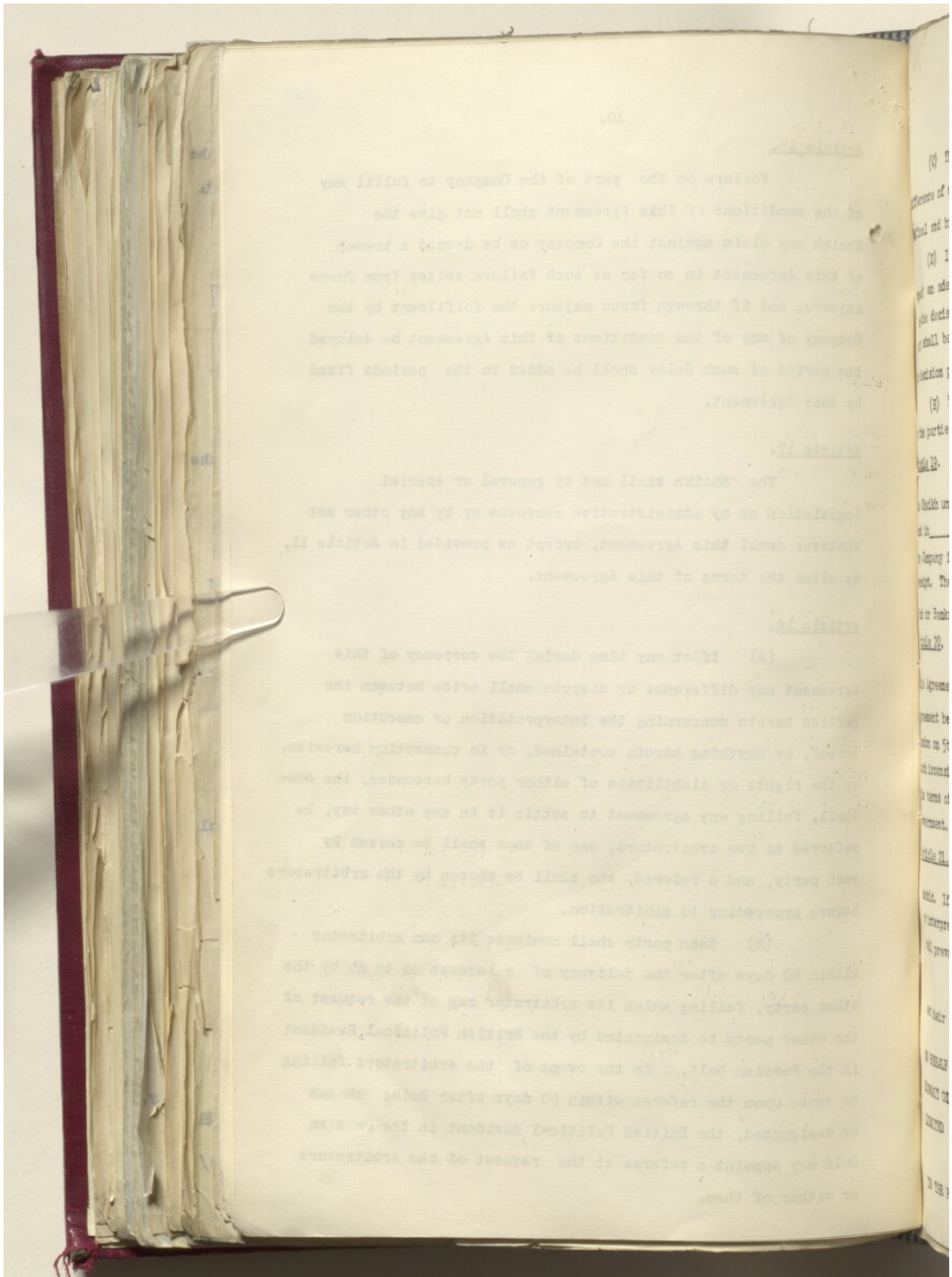
Article 17.

The Shaikh shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement, except as provided in Article 11, or alter the terms of this Agreement.

Article 18.

(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained, or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party, failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.





11.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.

(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19.

The Company shall make all payments that become due to the Shaikh under this Agreement into the Shaikh's account at the _____ Bank in _____ and the Bank's receipt shall be a full discharge for the Company in respect of the payment of the sum stated in the Bank's receipt. The Shaikh may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20.

It is hereby declared that should any of the terms of this Agreement be inconsistent or in conflict with the terms of the Agreement between the Company and His Majesty's Government signed in London on 5th March, 1934, this Agreement shall, to the extent of any such inconsistency or conflict, be subordinate to and controlled by the terms of that Agreement between the Company and His Majesty's Government.

Article 21.

This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

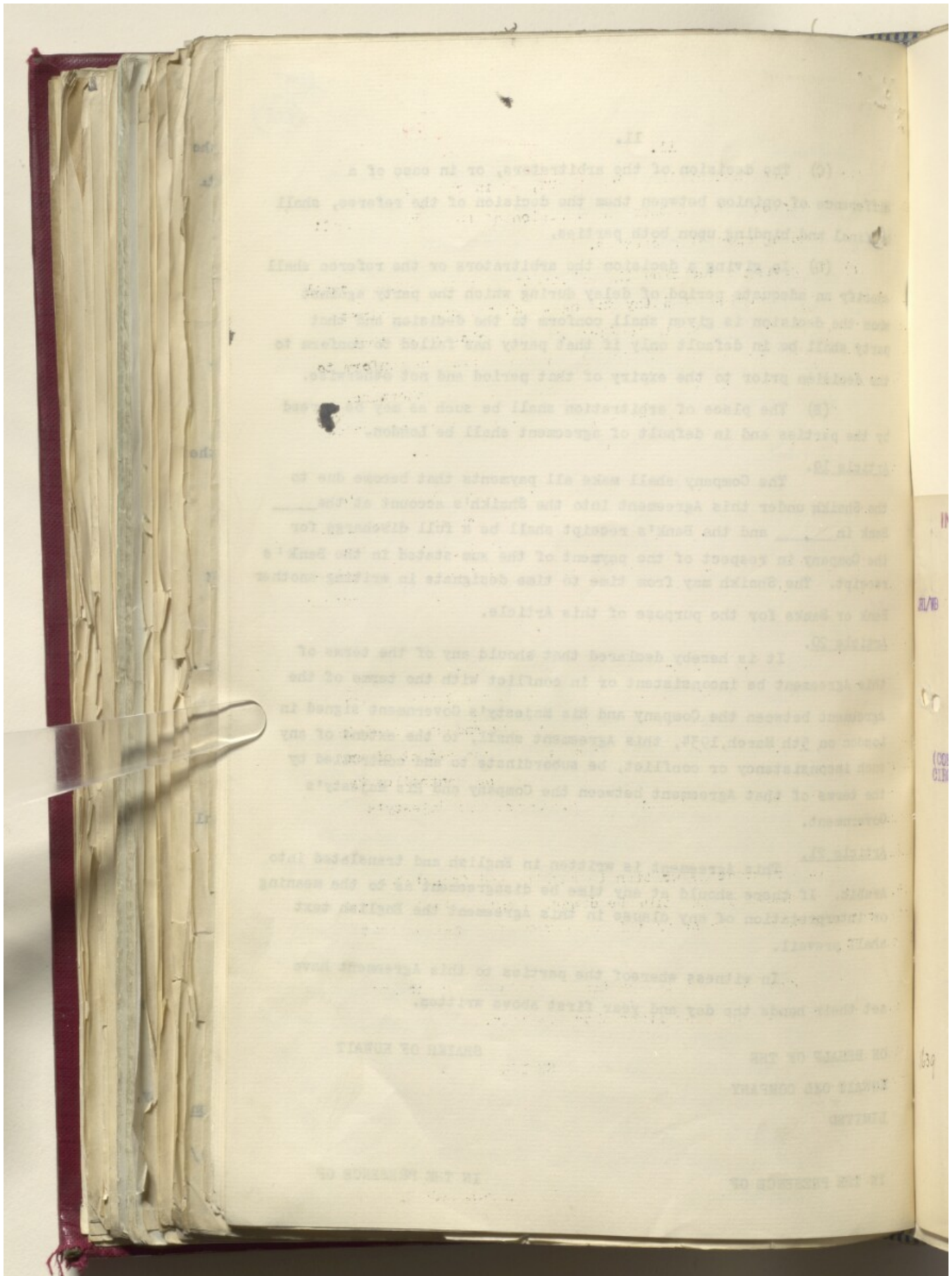
In witness whereof the parties to this Agreement have set their hands the day and year first above written.

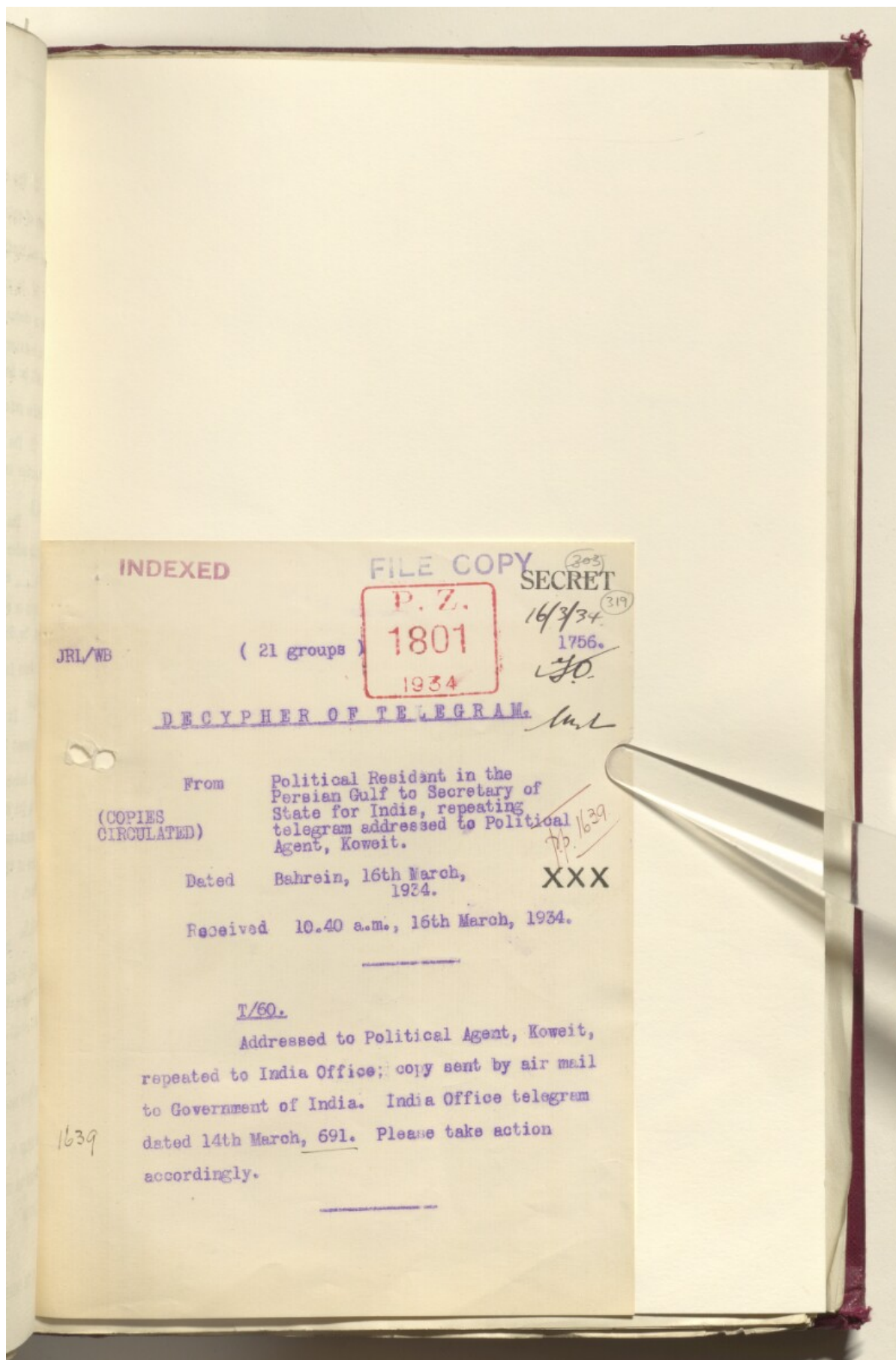
ON BEHALF OF THE
KUWAIT OIL COMPANY
LIMITED

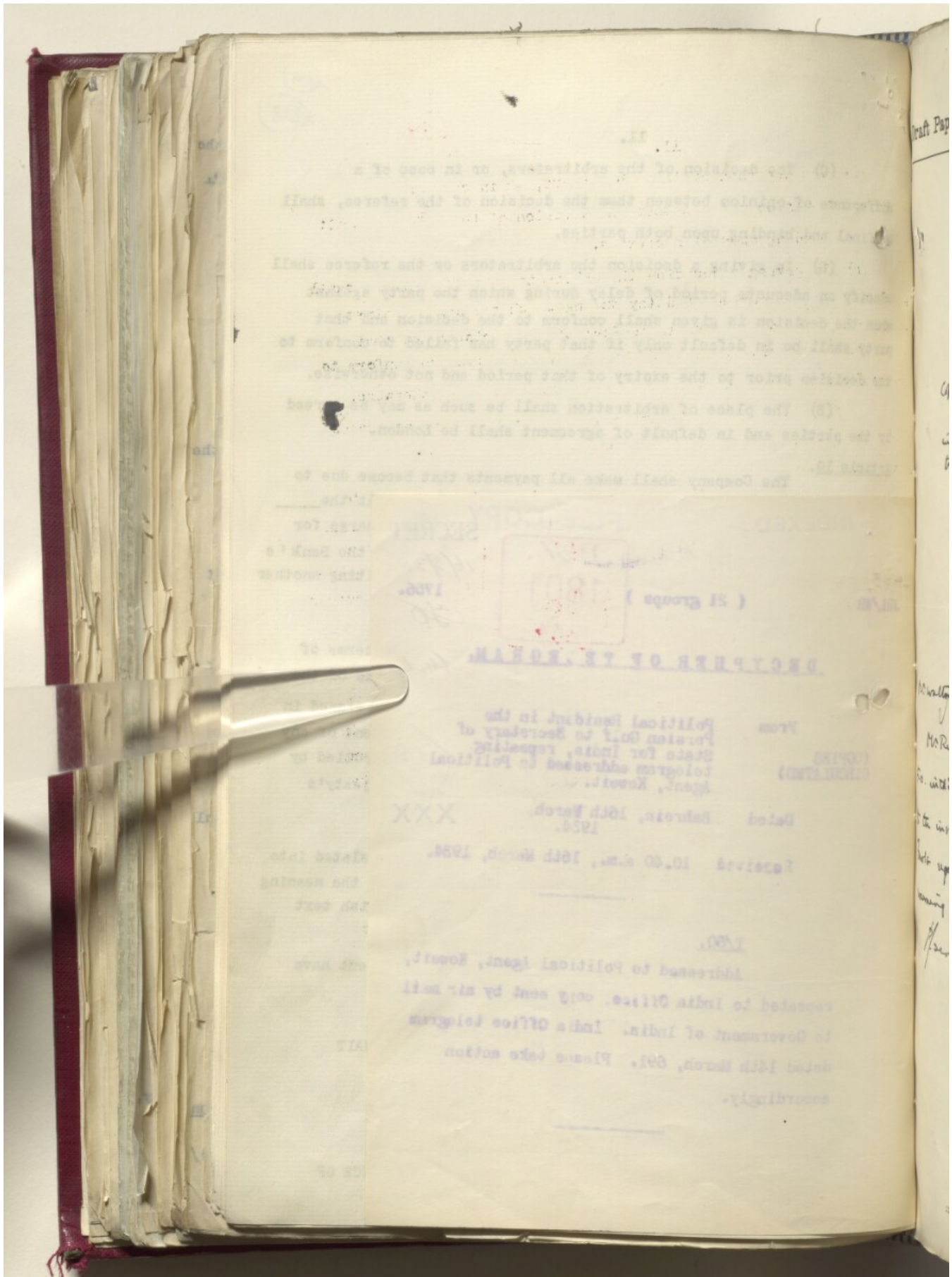
SHAIKH OF KUWAIT

IN THE PRESENCE OF

IN THE PRESENCE OF









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begin*

P.L. 1639
34

Draft Paper. Department.

Addressed to P.R. The No. 691
with PA Kuwait No 692

Copy to F.O. 5 MAR 1934
with copy 1 am
to Mr. 48 R. ch.

My telegram of 8 March. 657 pm
xxx
need no longer postpone action
in my telegram 622 of 7 March.
xxx

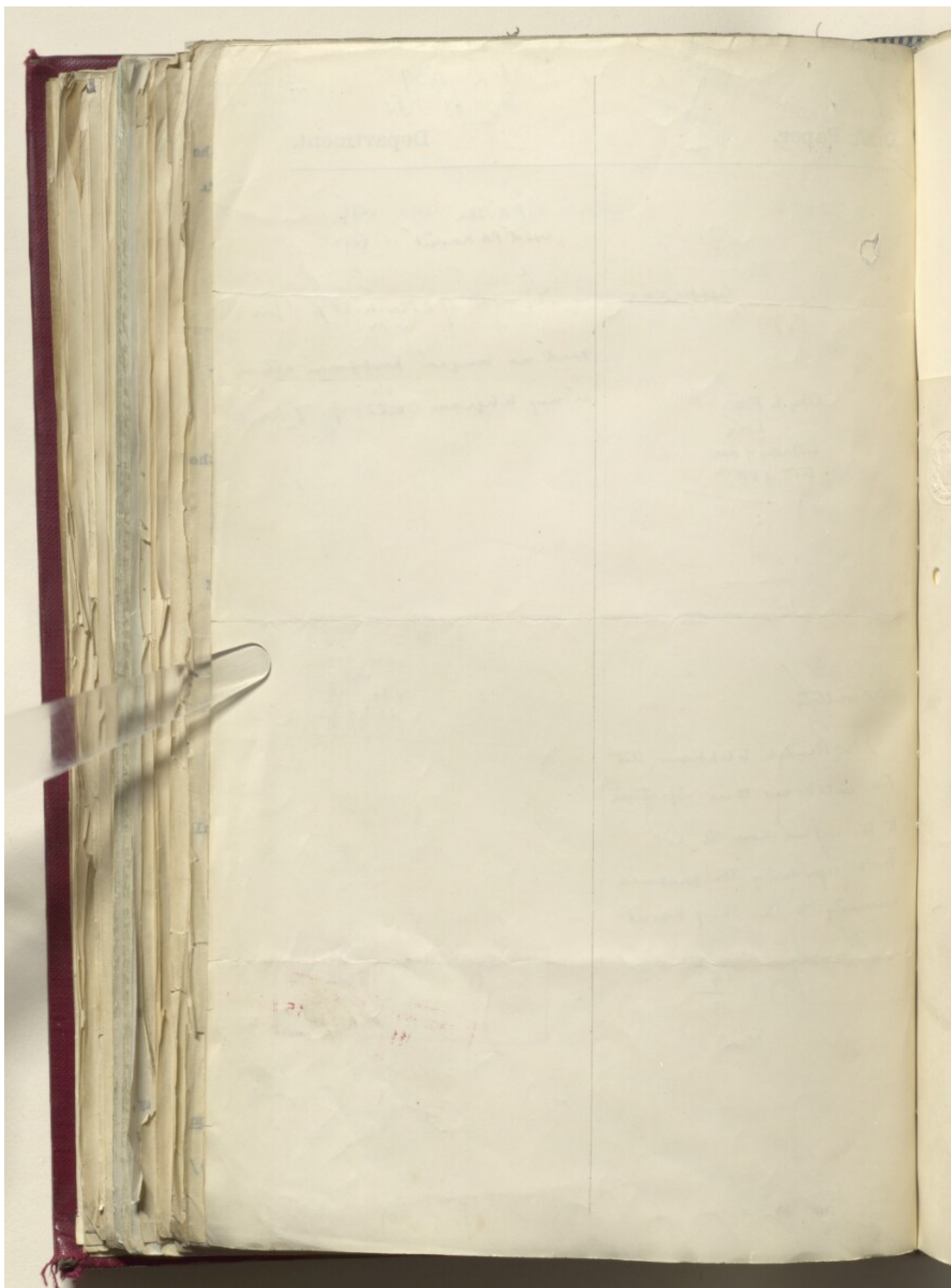
M. Rendel telephones that
F.O. withdraw their objection
to the instructions to Col.
Fawcett regarding the proposed
warning to the Sh. of Kuwait.

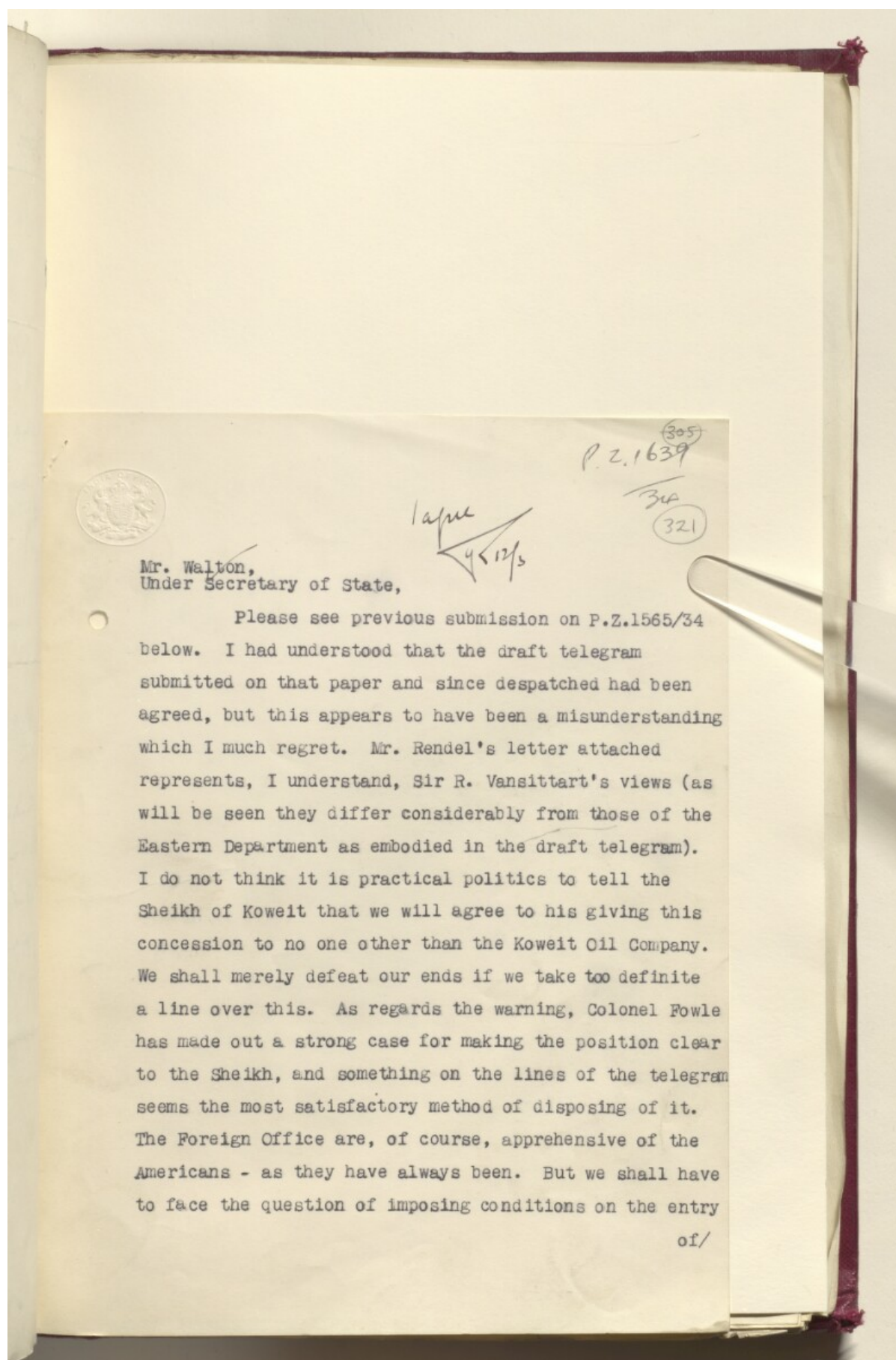
1/2 send
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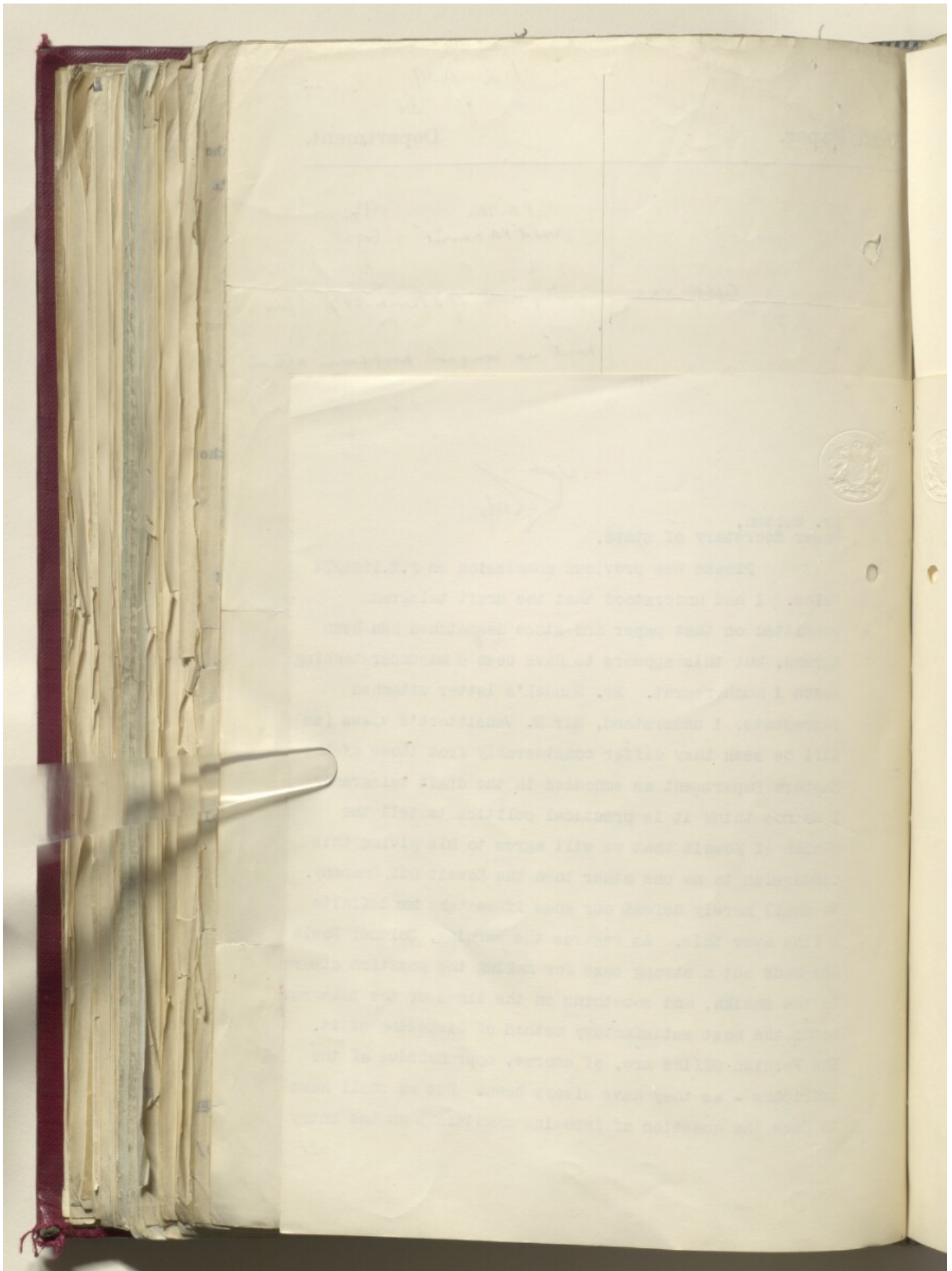
SEEN BY	DATE	TIME
RECD. IN TEL. BCR.	14/3/34	12.45 PM
CODE, X or XX	14/3	1.15 PM
DESPATCHED	28.25	
NO. OF WORDS	28.25	
SENDER'S INITIALS	J.R.A.	

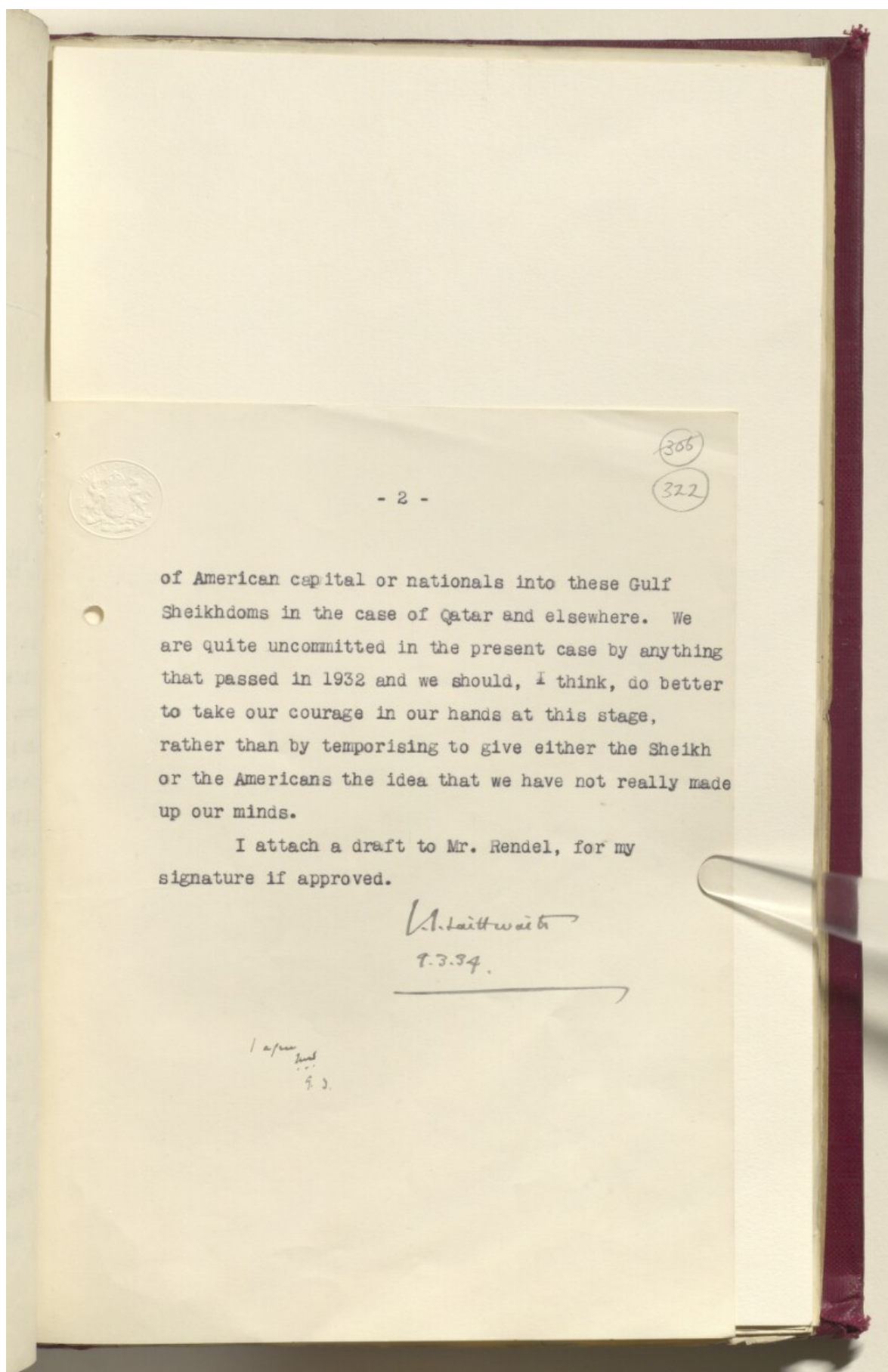
ENCLOSURE IN WEEKLY LETTER
NO. 11. 15 MAR 1934
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE

2262 5060 11.33









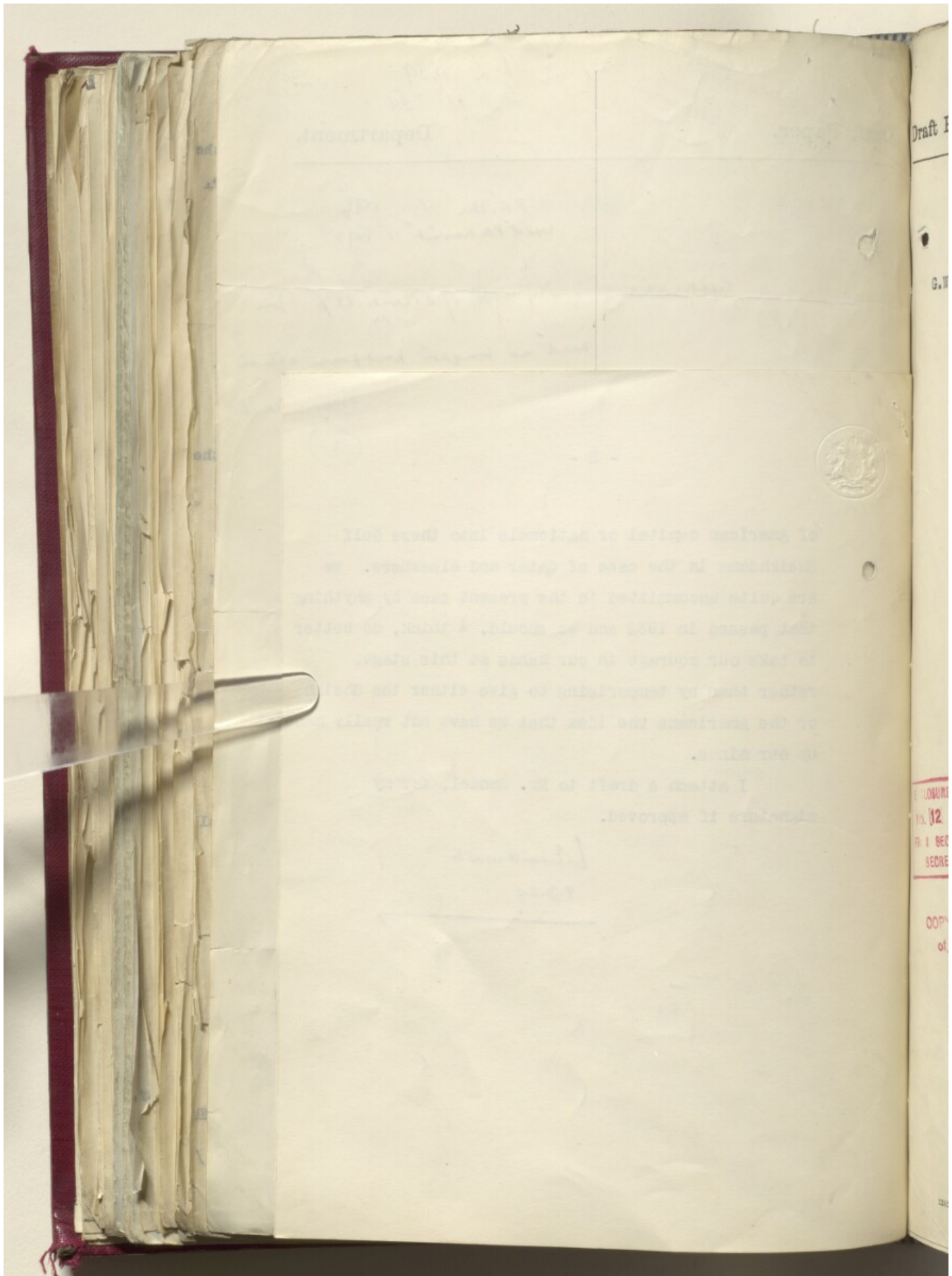
- 2 -

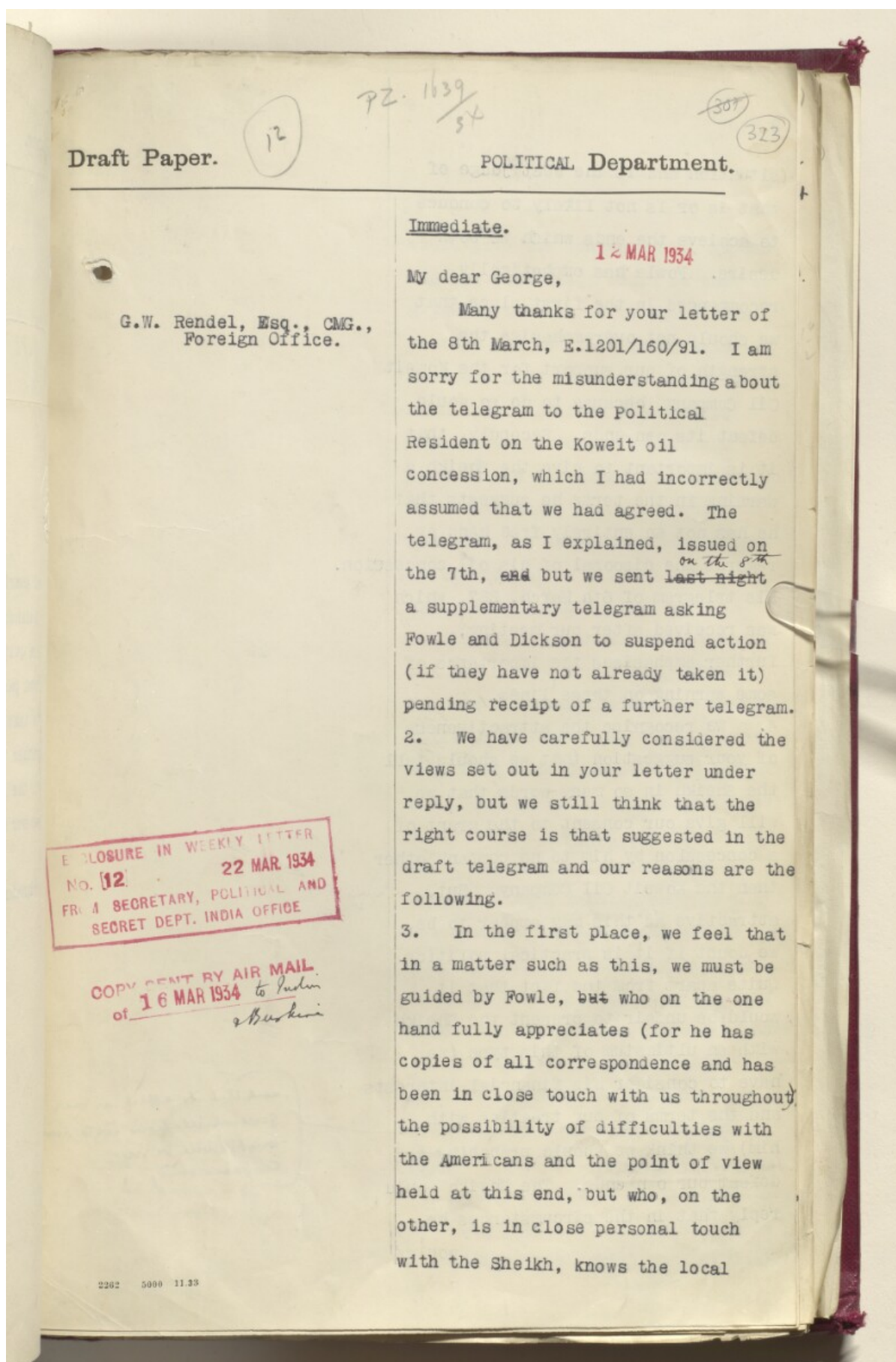
of American capital or nationals into these Gulf Sheikhdoms in the case of Qatar and elsewhere. We are quite uncommitted in the present case by anything that passed in 1932 and we should, I think, do better to take our courage in our hands at this stage, rather than by temporising to give either the Sheikh or the Americans the idea that we have not really made up our minds.

I attach a draft to Mr. Rendel, for my signature if approved.

A. Laithwaite
9.3.34.

*1 a/m
J. J.*







2.

situation and is the best judge of what is or is not likely to conduce to achieve the ends which we both desire. Fowle has emphatically recommended in the first place that we should not overemphasise the strength of our support for the Koweit Oil Company, because to do so would defeat its own ends. Secondly, that it is important to give the Sheikh a warning in the terms he suggests that he has not an entirely free hand as regards the disposal of his oil concession. His telegram of 6th March, 287, which was received after our meeting, further emphasises the importance of some warning on these lines.

4. We recognise the attractiveness of your suggestion that we should tell the Sheikh in so many words that we will give our consent to the grant of a concession by him to no company other than the Koweit Oil Company. But, attractive as this may appear to be, we doubt if it is practical politics. Quite apart from the fact that it would ^{in answer} be unfair to present the Sheikh with an ultimatum of this type (we have to consider his financial interests and the terms of our treaties with him) ^{fail to secure our object} we think we should probably ^{possibly} ~~defeat our own ends~~. The Sheikh would reply that in the circumstances he would/

and that its effect on our general relations with him might well be very embarrassing,

Draft



Draft Paper.

308
324 3.
Department.

would give the concession to no one, and the next stage would be that in a year's time or so we should find that he was in close touch with the Standard Oil, had compromised himself with them, and that it would be impossible for us to refuse our approval to the grant of a concession by him to them, a concession, moreover, in connection with which we should not be able to get safeguards anything like as satisfactory as those which we have got out of the Koweit Oil Company.

5. We fully appreciate the possible difficulties with the U.S. Government; they have been present to us throughout. But we cannot agree, as I made clear at the meeting, that the U.S. Govt. ^{would not} ~~can have~~ any ground for complaint ~~by~~ a warning such as that now proposed on the basis of the 1932 correspondence, the only pledges in which were that we abandoned our right to require that any concession should be given to an exclusively British company. We have now, as Fowle has pointed out, admitted American capital, and it is open to us, on the ground of local conditions, to impose restrictions as to the conditions under which such capital

shall/

2262 5900 11.33

It is of
and relation
it will be
necessary

could, however
the two questions
that negotiation that
we are maintaining
a 'closed door' policy



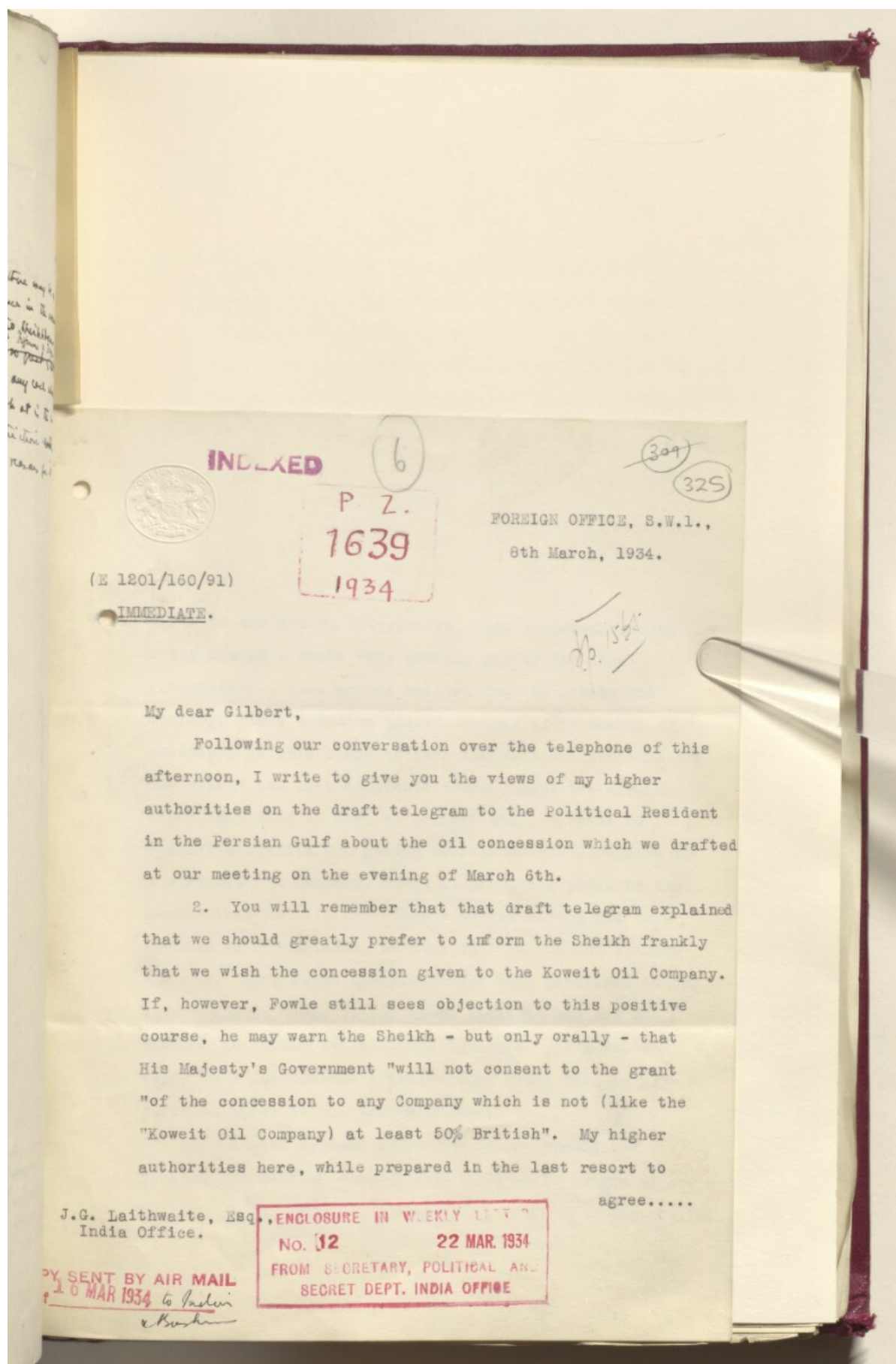
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^{in the Sheikhdom.}
shall operate ~~or share~~ in the work of
the Company. In any case, even if we
were to avoid difficulty on this score
in Koweit, we should certainly have to
face the issue in the near future in
Qatar, ^{should} But we ~~shall~~ in both cases
justify our attitude not, as suggested
in para.5 of your letter, on the ground
that we are anxious to benefit British
as opposed to American enterprise, but
on the ground that we have special
responsibilities in these areas, and
that having regard to this we must
within reason prescribe the terms on
which foreign capital or foreign
nationals shall be employed ^{in these} there.

6. For these reasons, we feel
strongly that the instructions in our
telegram to Fowle of 7th March should
be allowed to stand and we will regard
it as important, in the interests of
making the position clear to the
Sheikh, that the Resident should be
allowed to make the necessary
communication to the Sheikh with as
little delay as possible. We trust
that in view of the explanation I have
given above you will now be prepared
to agree.

J. G. LAITHWAITE.

While there may be a
difference in the views
of the two Sheikhdoms, it is not
a question of principle, but of
of principle so much so that it
and in any case what critics
will look at is the substance &
any other reason rather than any
special reason for it.



INDEXED

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P. Z.

1639

1934

FOREIGN OFFICE, S.W.1.,

8th March, 1934.

(E 1201/160/91)

IMMEDIATE.

My dear Gilbert,

Following our conversation over the telephone of this afternoon, I write to give you the views of my higher authorities on the draft telegram to the Political Resident in the Persian Gulf about the oil concession which we drafted at our meeting on the evening of March 6th.

2. You will remember that that draft telegram explained that we should greatly prefer to inform the Sheikh frankly that we wish the concession given to the Koweit Oil Company. If, however, Powle still sees objection to this positive course, he may warn the Sheikh - but only orally - that His Majesty's Government "will not consent to the grant "of the concession to any Company which is not (like the "Koweit Oil Company) at least 50% British". My higher authorities here, while prepared in the last resort to agree.....

J.G. Laithwaite, Esq.,
India Office.

ENCLOSURE IN WEEKLY LETTER

No. 12

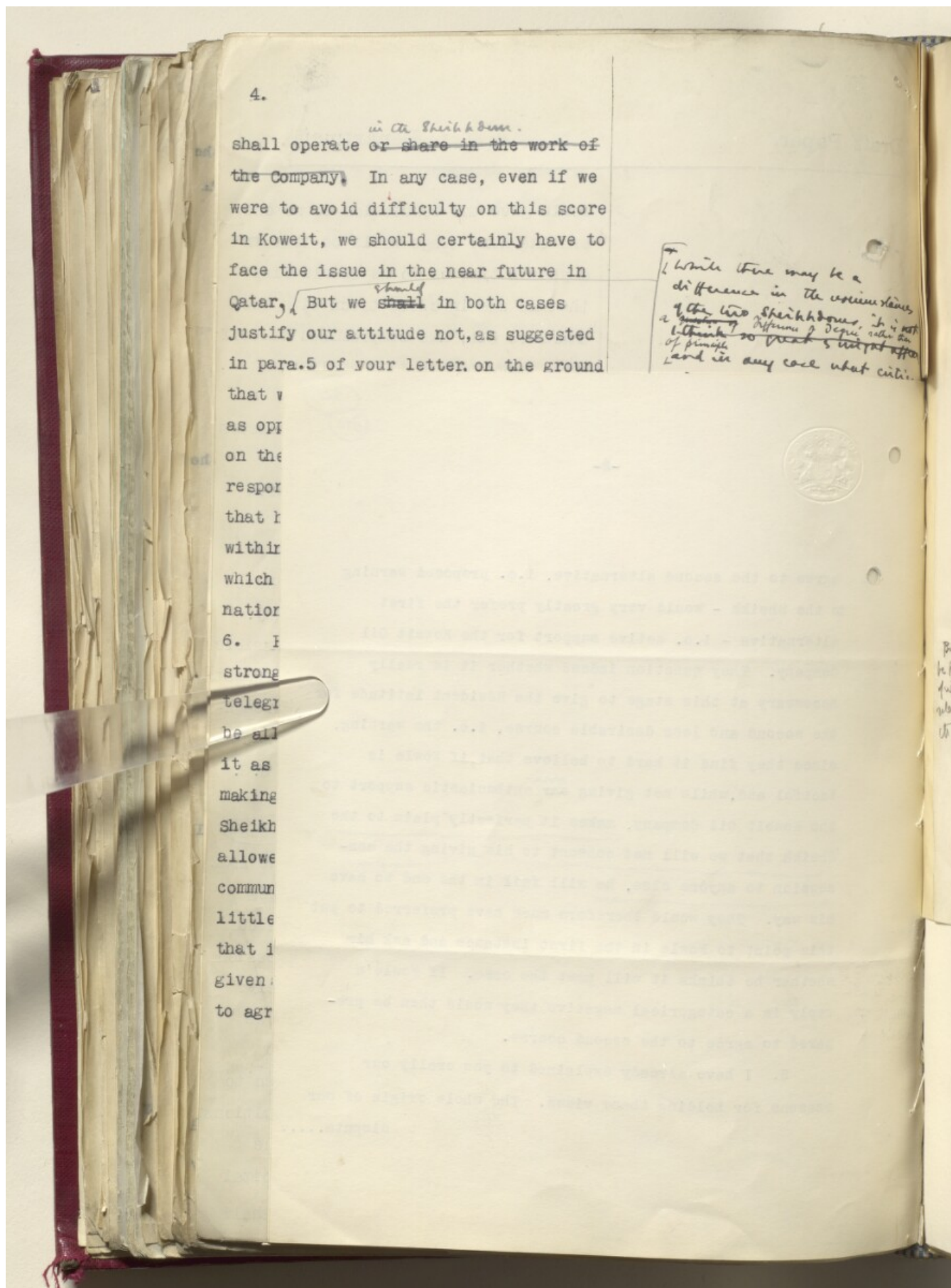
22 MAR. 1934

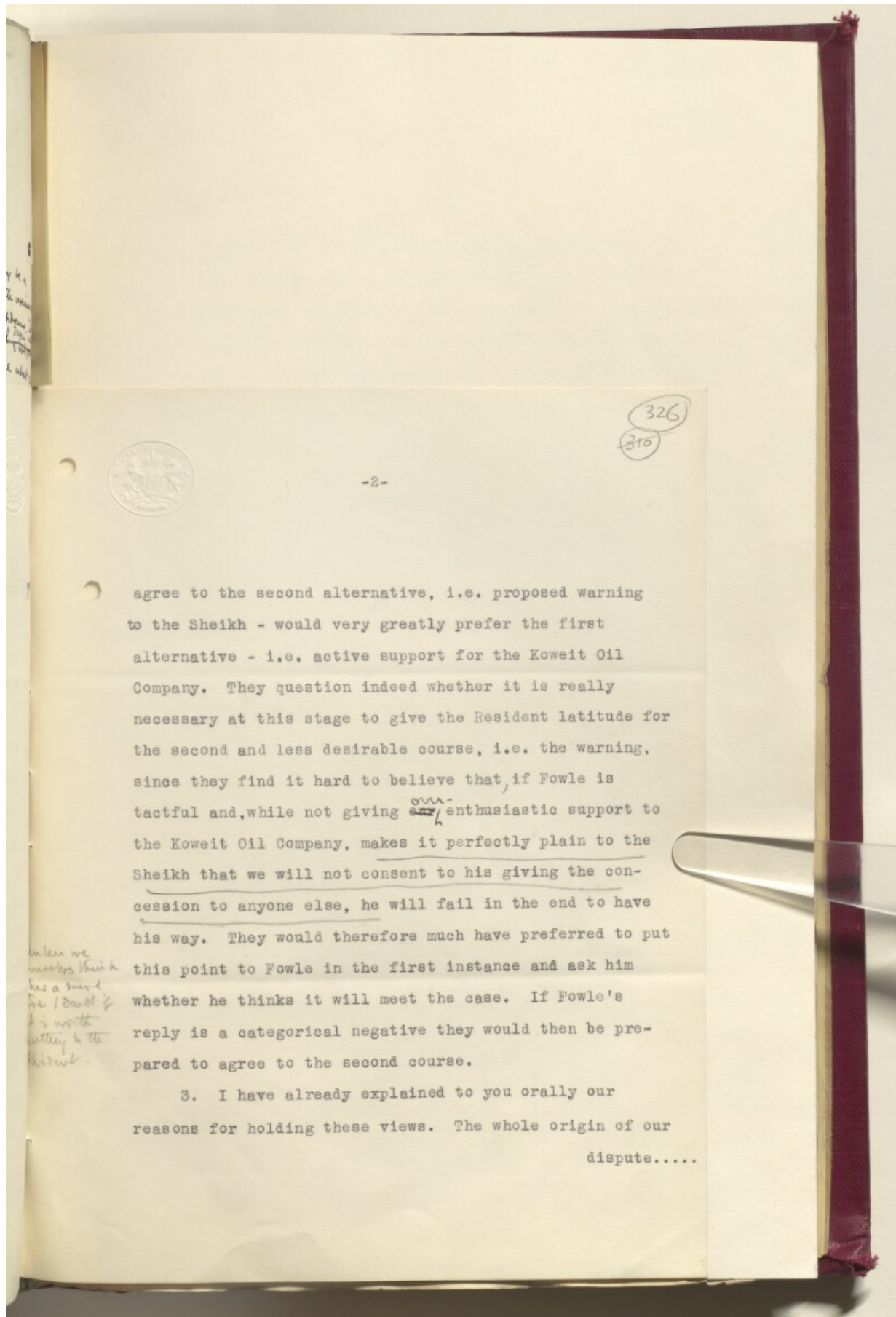
FROM SECRETARY, POLITICAL AND
SECRET DEPT. INDIA OFFICE

SENT BY AIR MAIL

10 MAR 1934 to India

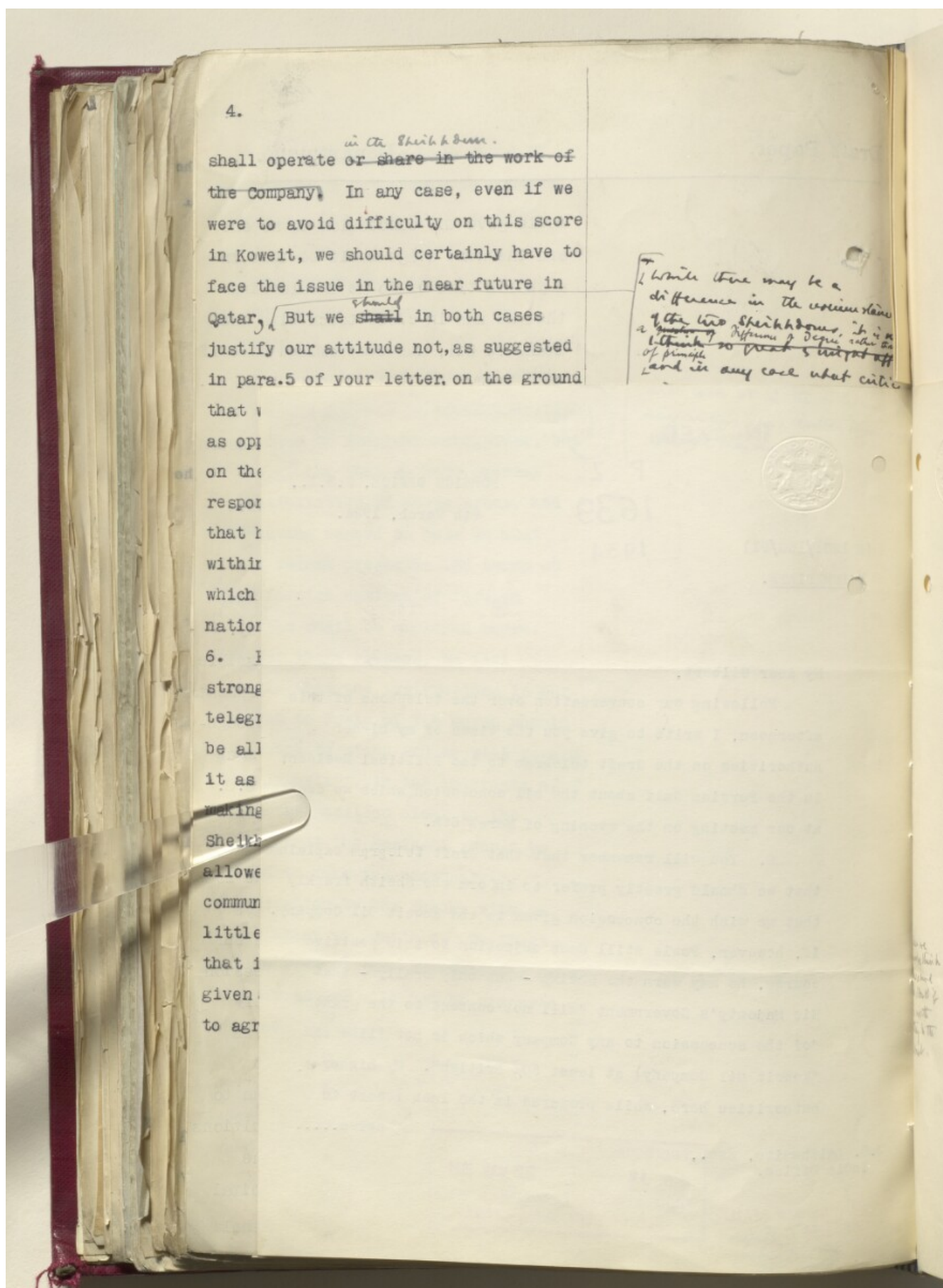
x Bush





agree to the second alternative, i.e. proposed warning to the Sheikh - would very greatly prefer the first alternative - i.e. active support for the Koweit Oil Company. They question indeed whether it is really necessary at this stage to give the Resident latitude for the second and less desirable course, i.e. the warning, since they find it hard to believe that, if Fowle is tactful and, while not giving ^{over} ~~any~~ enthusiastic support to the Koweit Oil Company, makes it perfectly plain to the Sheikh that we will not consent to his giving the concession to anyone else, he will fail in the end to have his way. They would therefore much have preferred to put this point to Fowle in the first instance and ask him whether he thinks it will meet the case. If Fowle's reply is a categorical negative they would then be prepared to agree to the second course.

3. I have already explained to you orally our reasons for holding these views. The whole origin of our dispute.....



4.
shall operate ^{in the Shaikhdom.} or share in the work of
the Company. In any case, even if we
were to avoid difficulty on this score
in Koweit, we should certainly have to
face the issue in the near future in
Qatar, But we ^{should} ~~shall~~ in both cases
justify our attitude not, as suggested
in para.5 of your letter, on the ground

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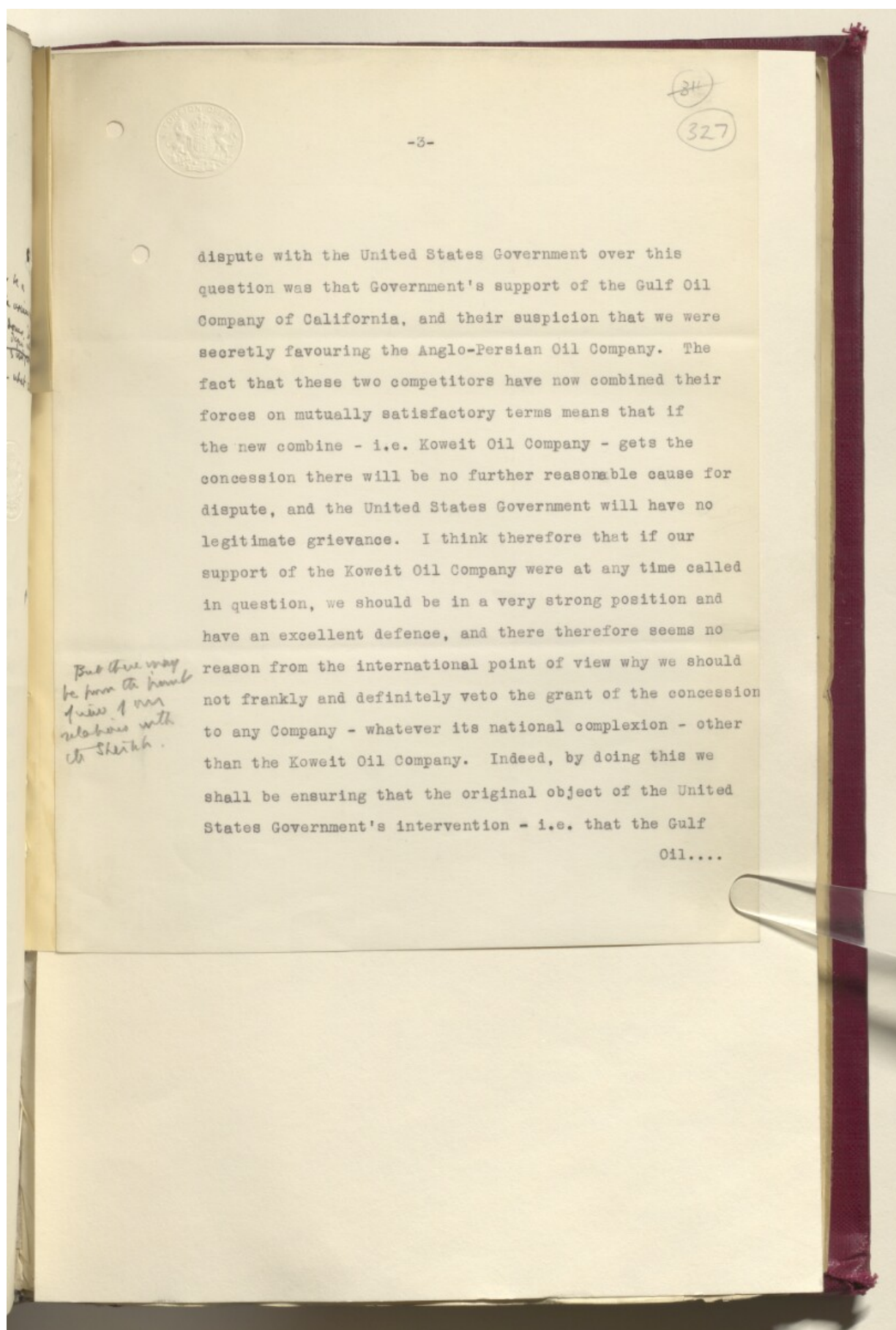
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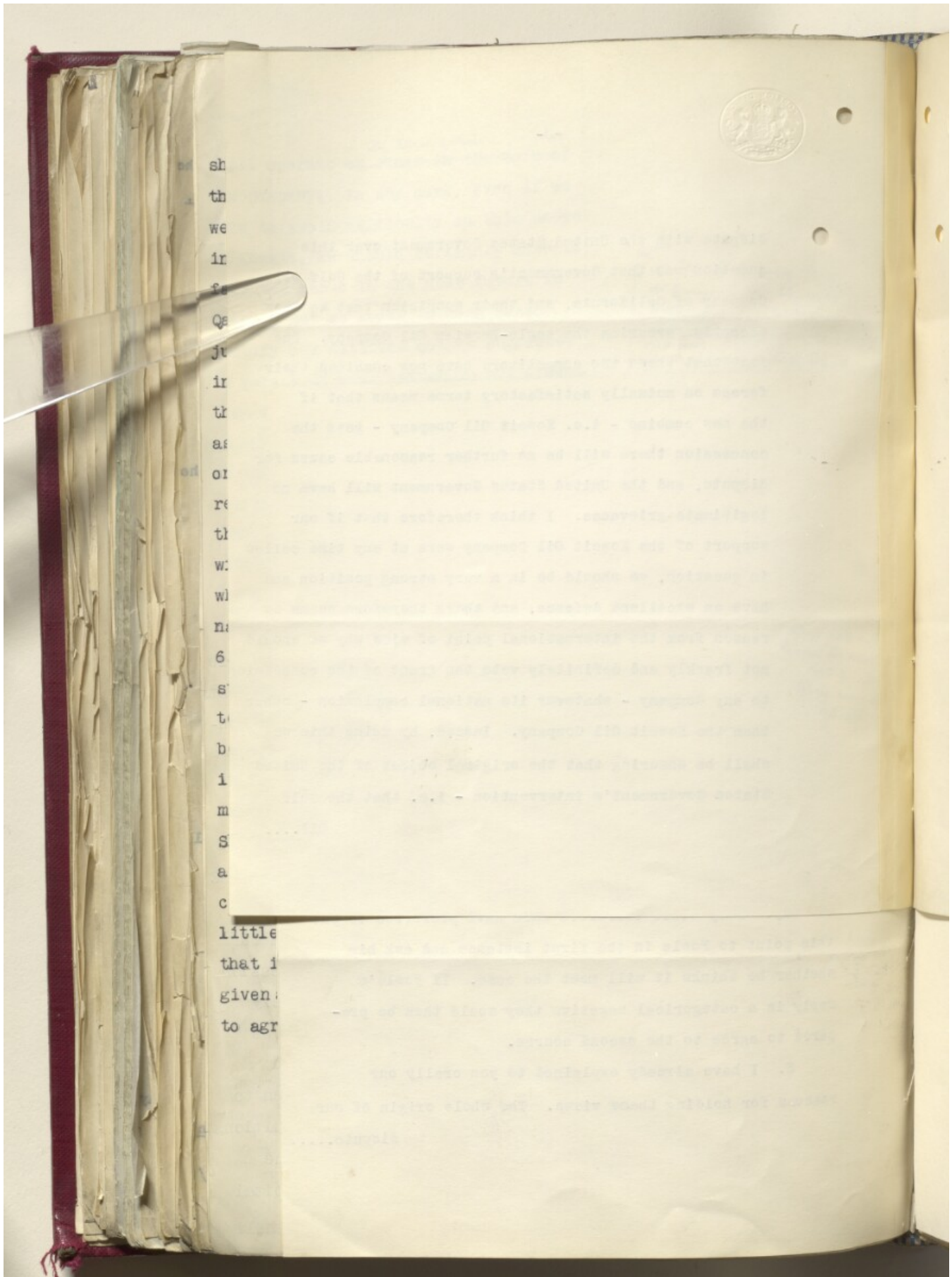
While there may be a
difference in the circumstances
of the two Shaikhdoms, it is
a matter of degree, rather than
of principle, and in any case what critic

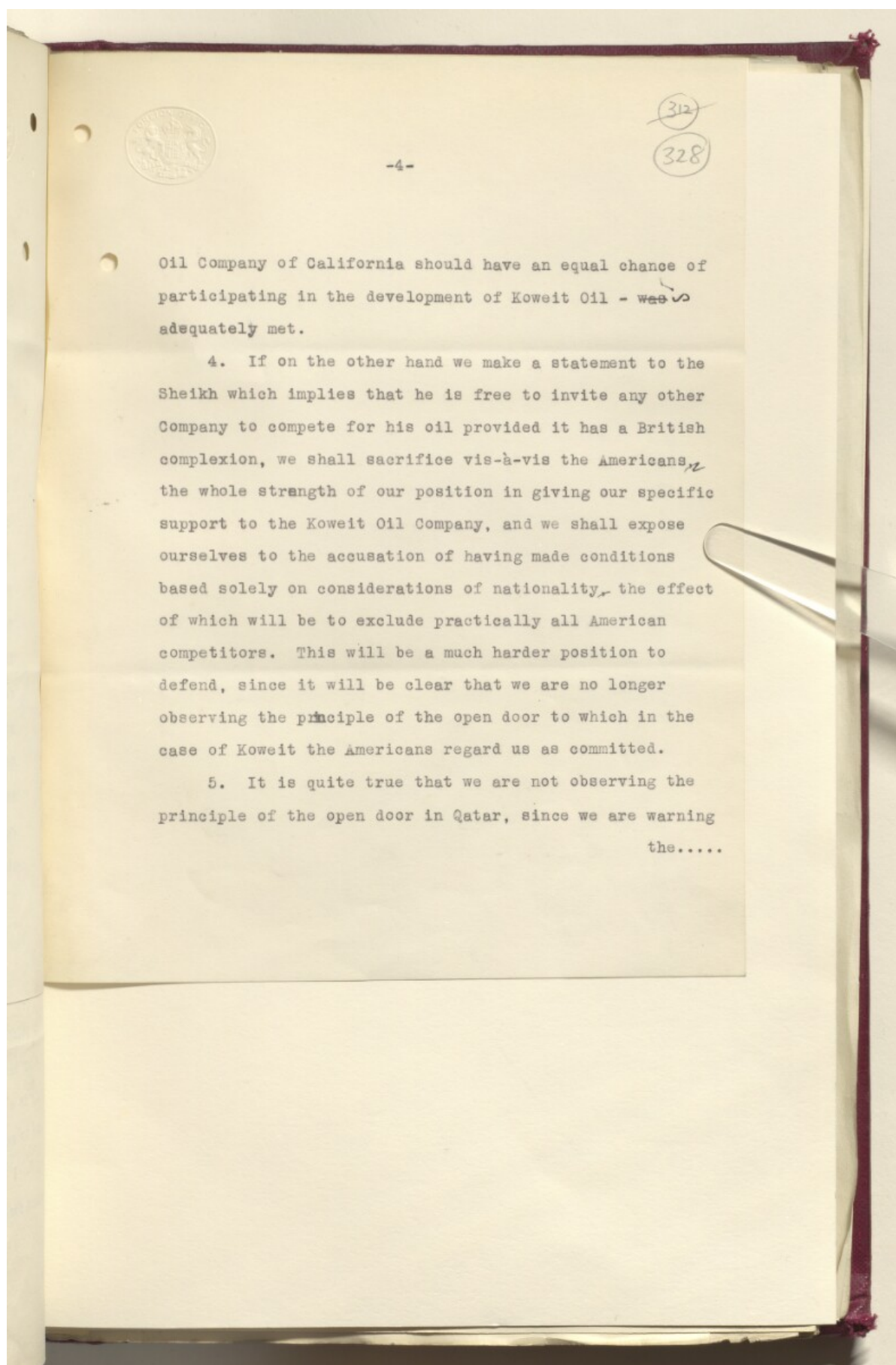


-3-

dispute with the United States Government over this question was that Government's support of the Gulf Oil Company of California, and their suspicion that we were secretly favouring the Anglo-Persian Oil Company. The fact that these two competitors have now combined their forces on mutually satisfactory terms means that if the new combine - i.e. Koweit Oil Company - gets the concession there will be no further reasonable cause for dispute, and the United States Government will have no legitimate grievance. I think therefore that if our support of the Koweit Oil Company were at any time called in question, we should be in a very strong position and have an excellent defence, and there therefore seems no reason from the international point of view why we should not frankly and definitely veto the grant of the concession to any Company - whatever its national complexion - other than the Koweit Oil Company. Indeed, by doing this we shall be ensuring that the original object of the United States Government's intervention - i.e. that the Gulf Oil....

But there may be from the point of view of our relations with the Sheikh.

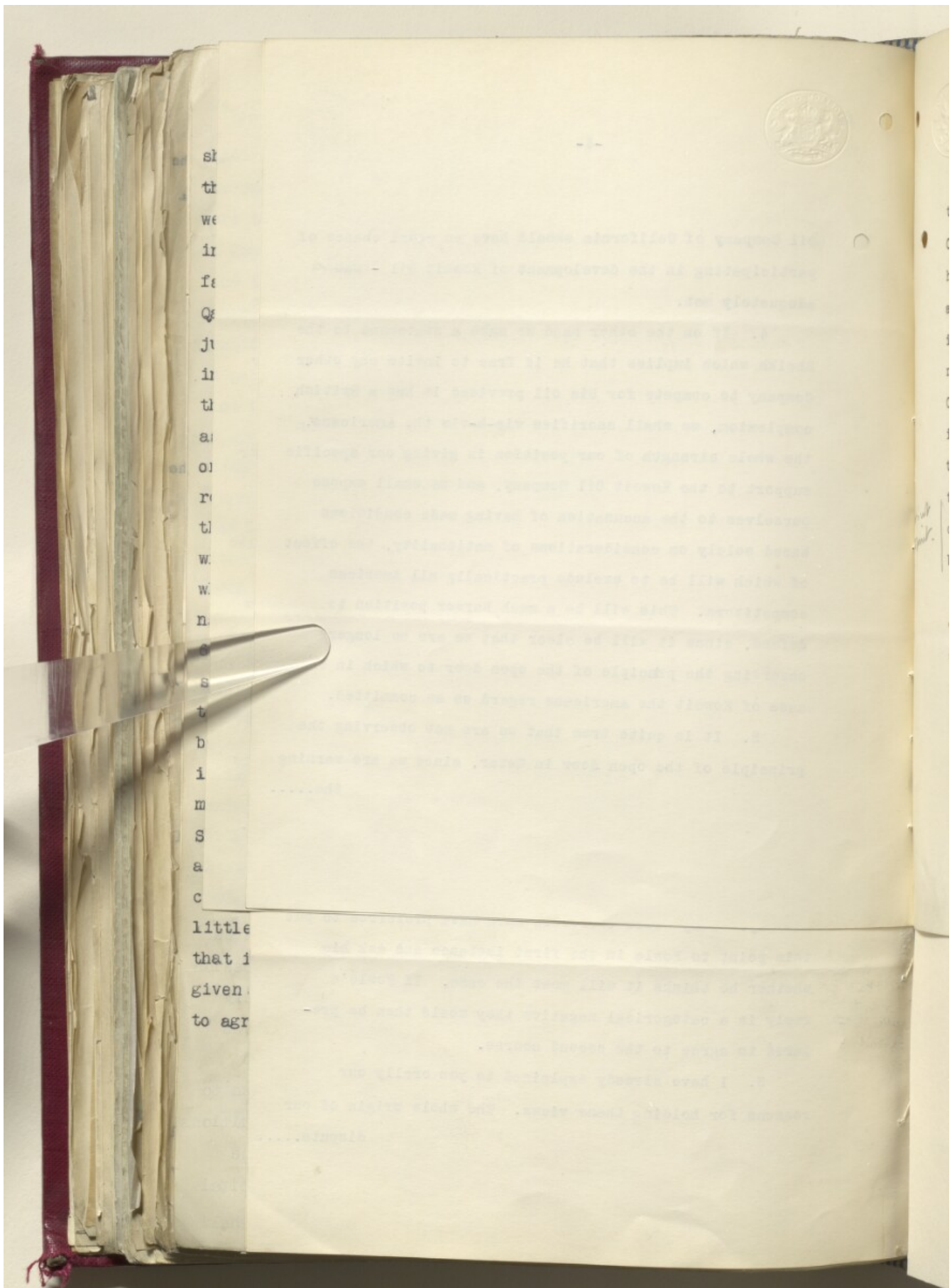


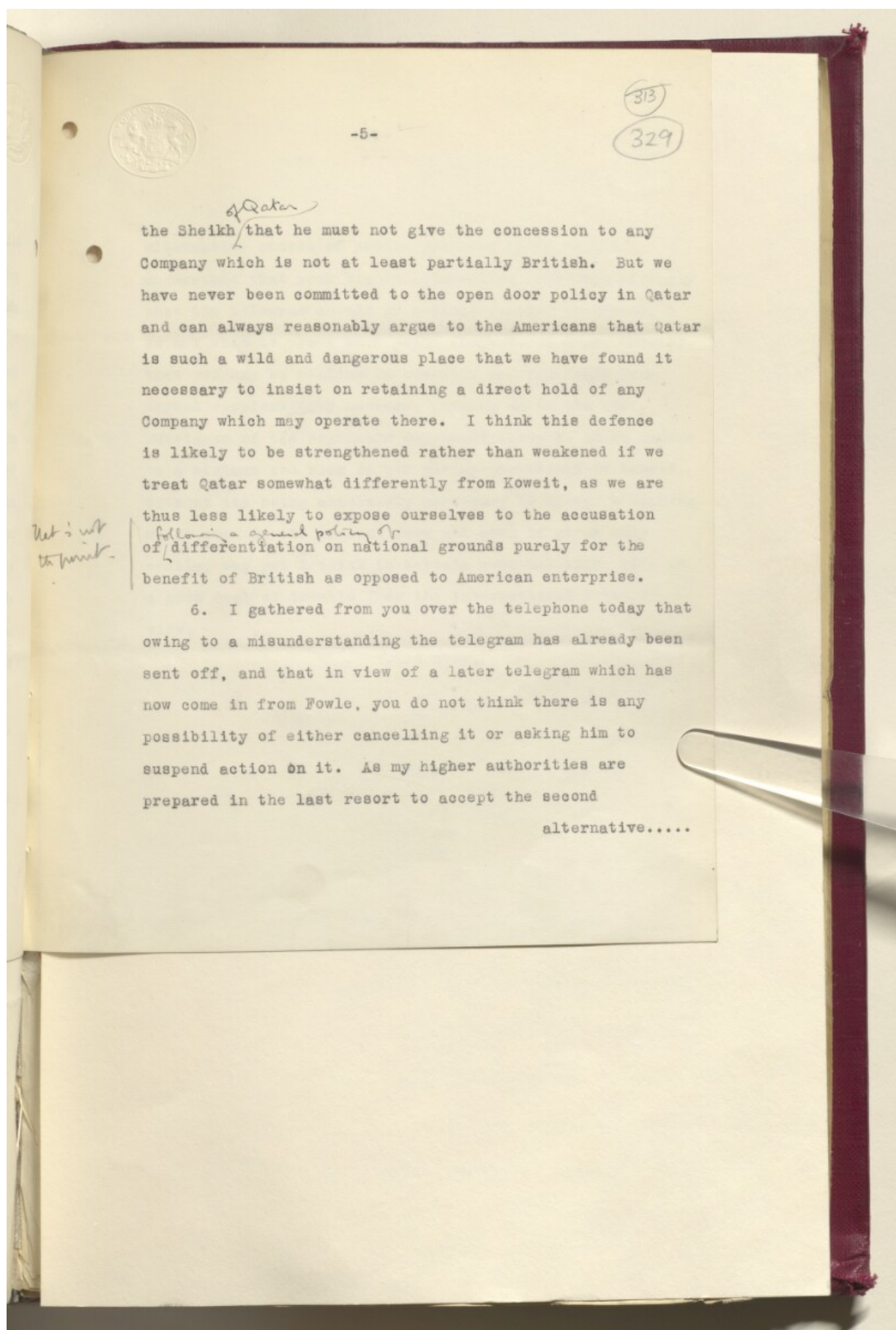


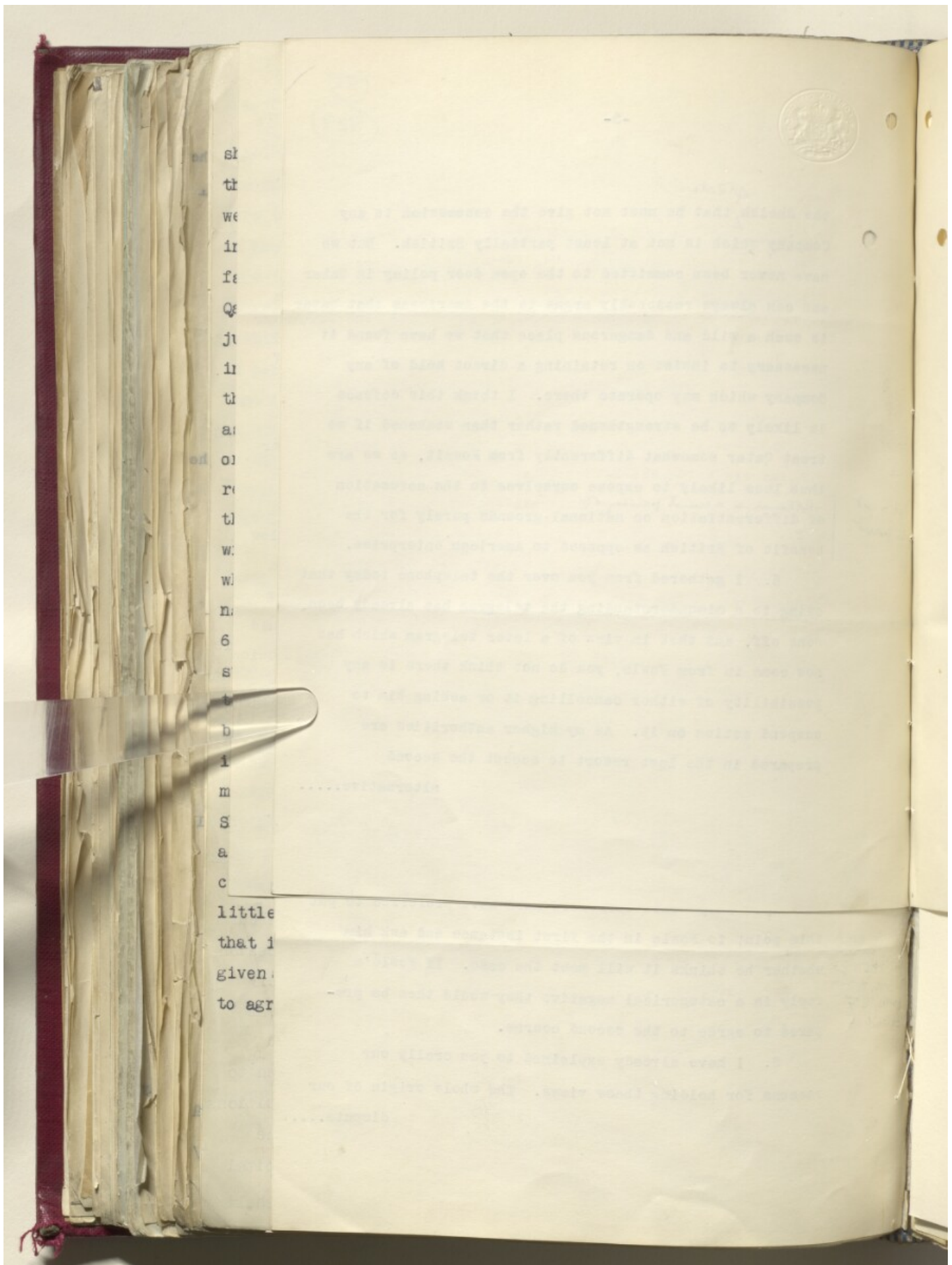
Oil Company of California should have an equal chance of participating in the development of Koweit Oil - was adequately met.

4. If on the other hand we make a statement to the Sheikh which implies that he is free to invite any other Company to compete for his oil provided it has a British complexion, we shall sacrifice vis-à-vis the Americans, the whole strength of our position in giving our specific support to the Koweit Oil Company, and we shall expose ourselves to the accusation of having made conditions based solely on considerations of nationality, the effect of which will be to exclude practically all American competitors. This will be a much harder position to defend, since it will be clear that we are no longer observing the principle of the open door to which in the case of Koweit the Americans regard us as committed.

5. It is quite true that we are not observing the principle of the open door in Qatar, since we are warning the.....

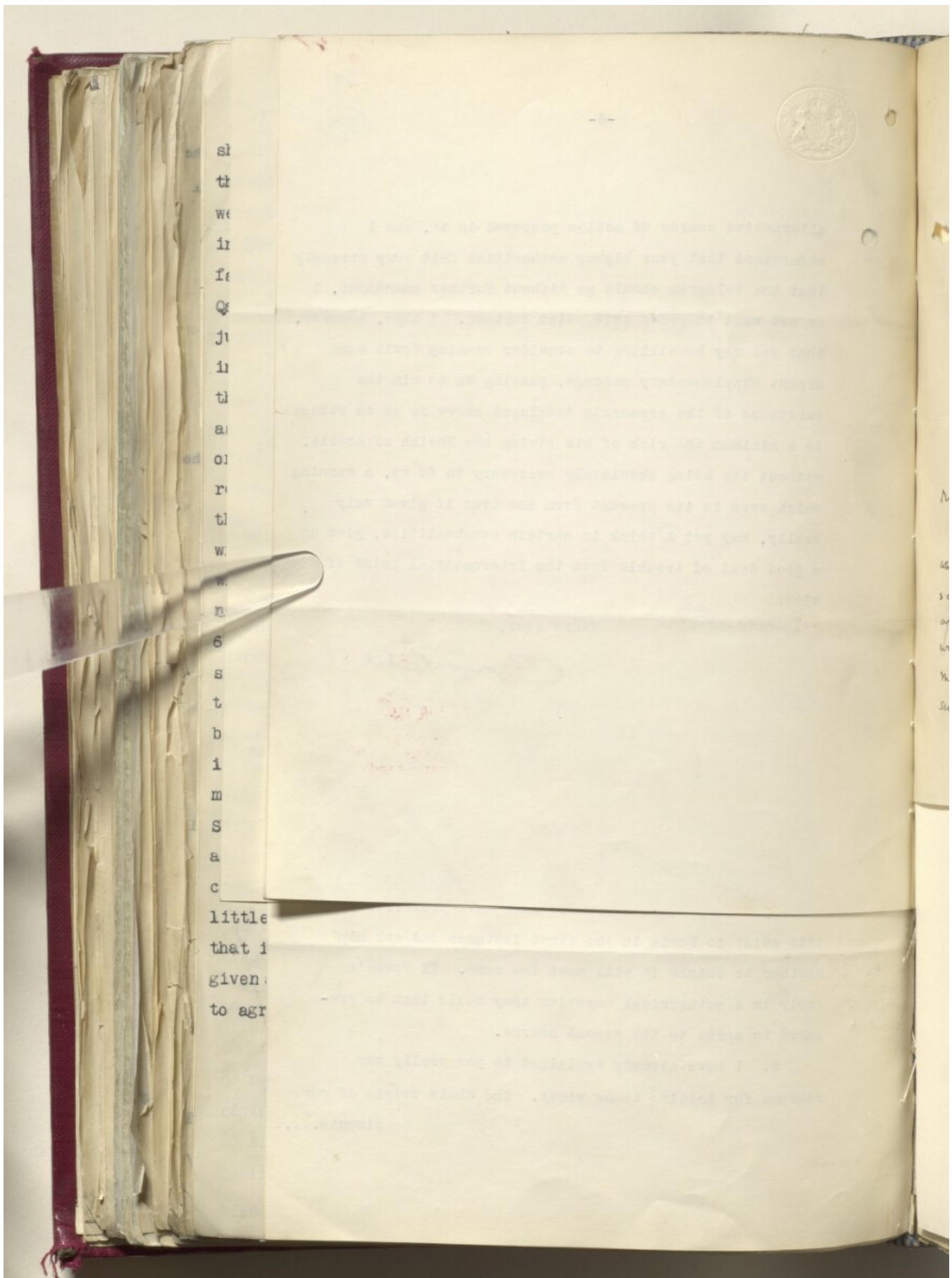


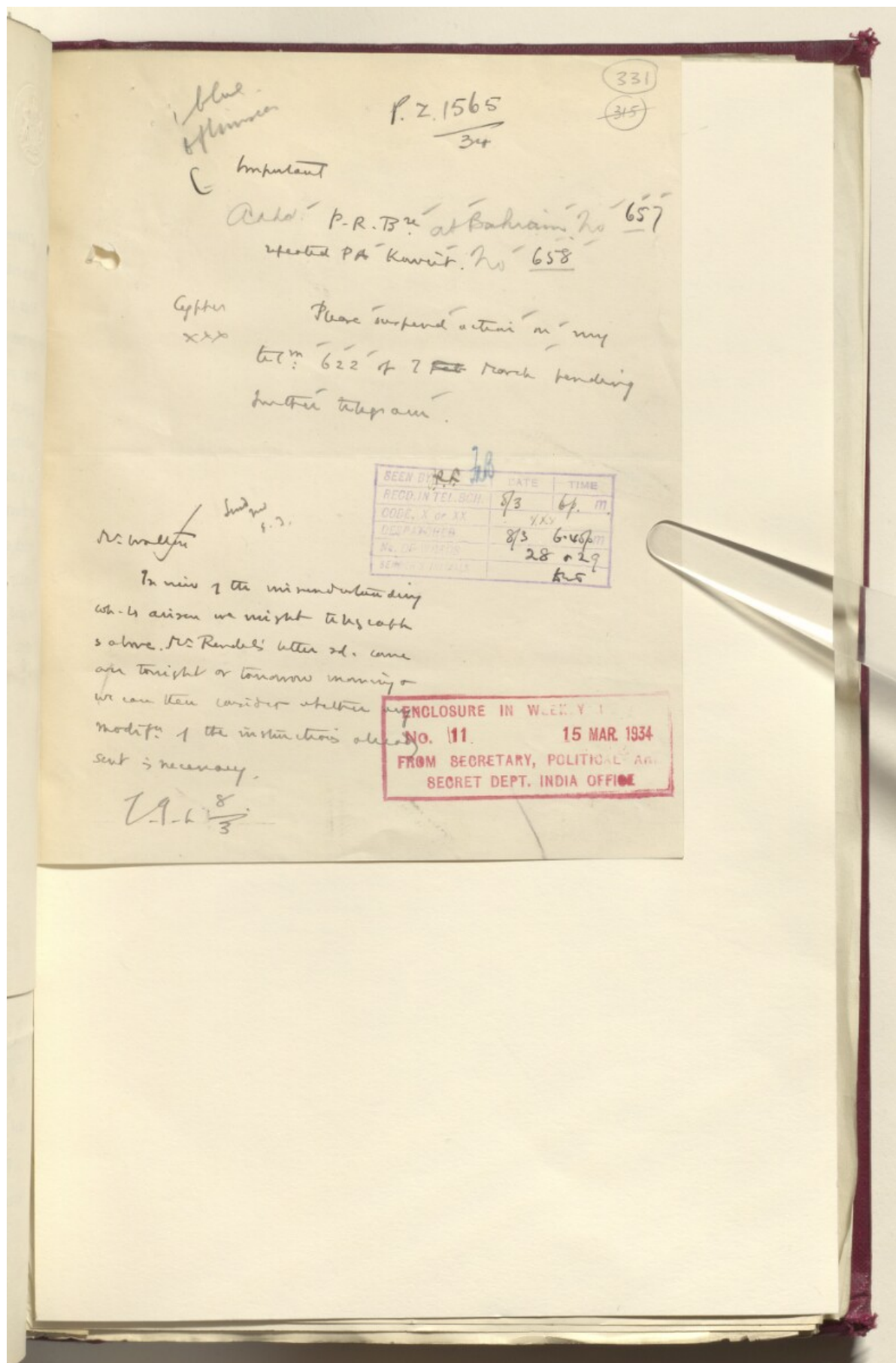


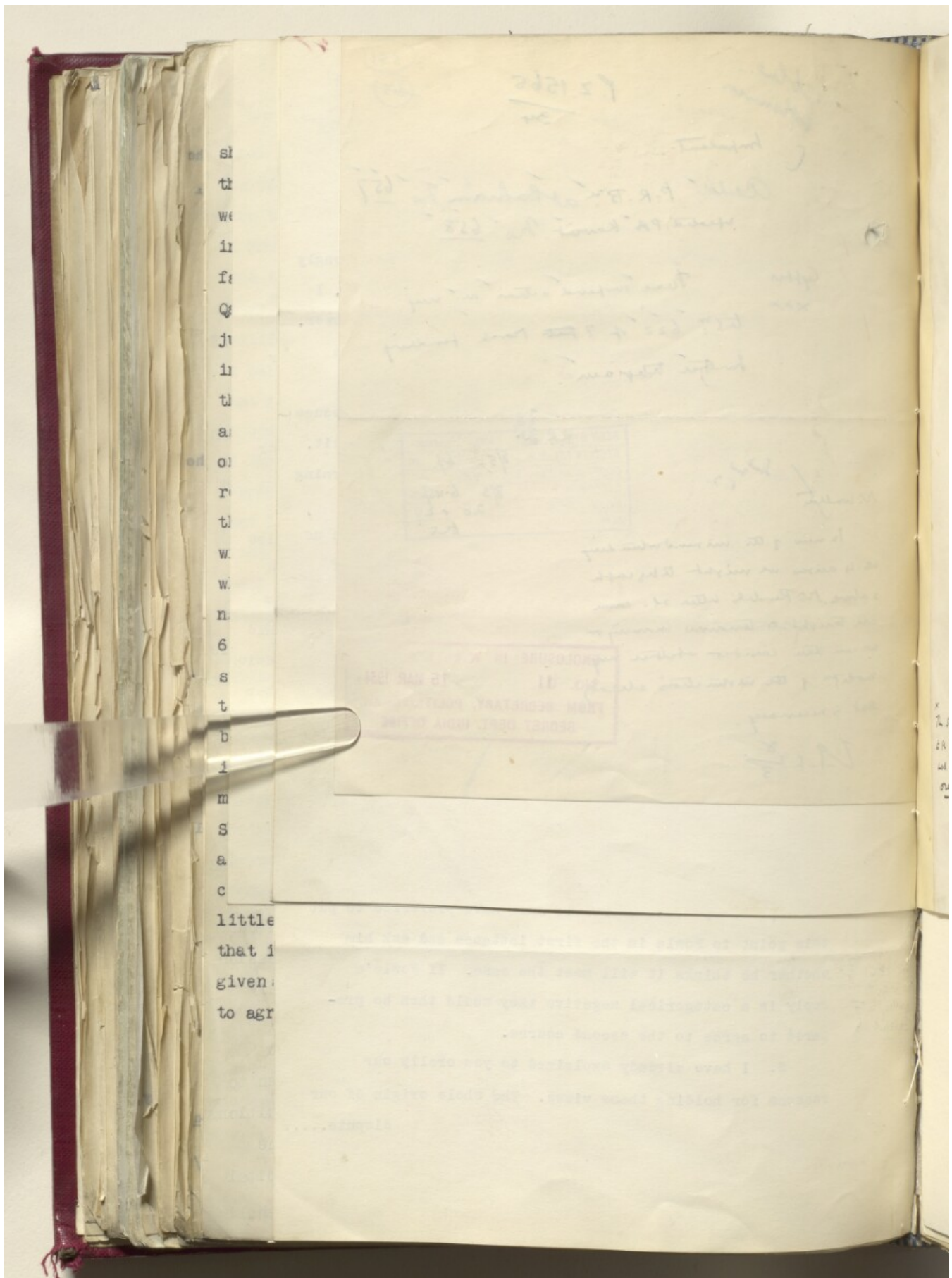


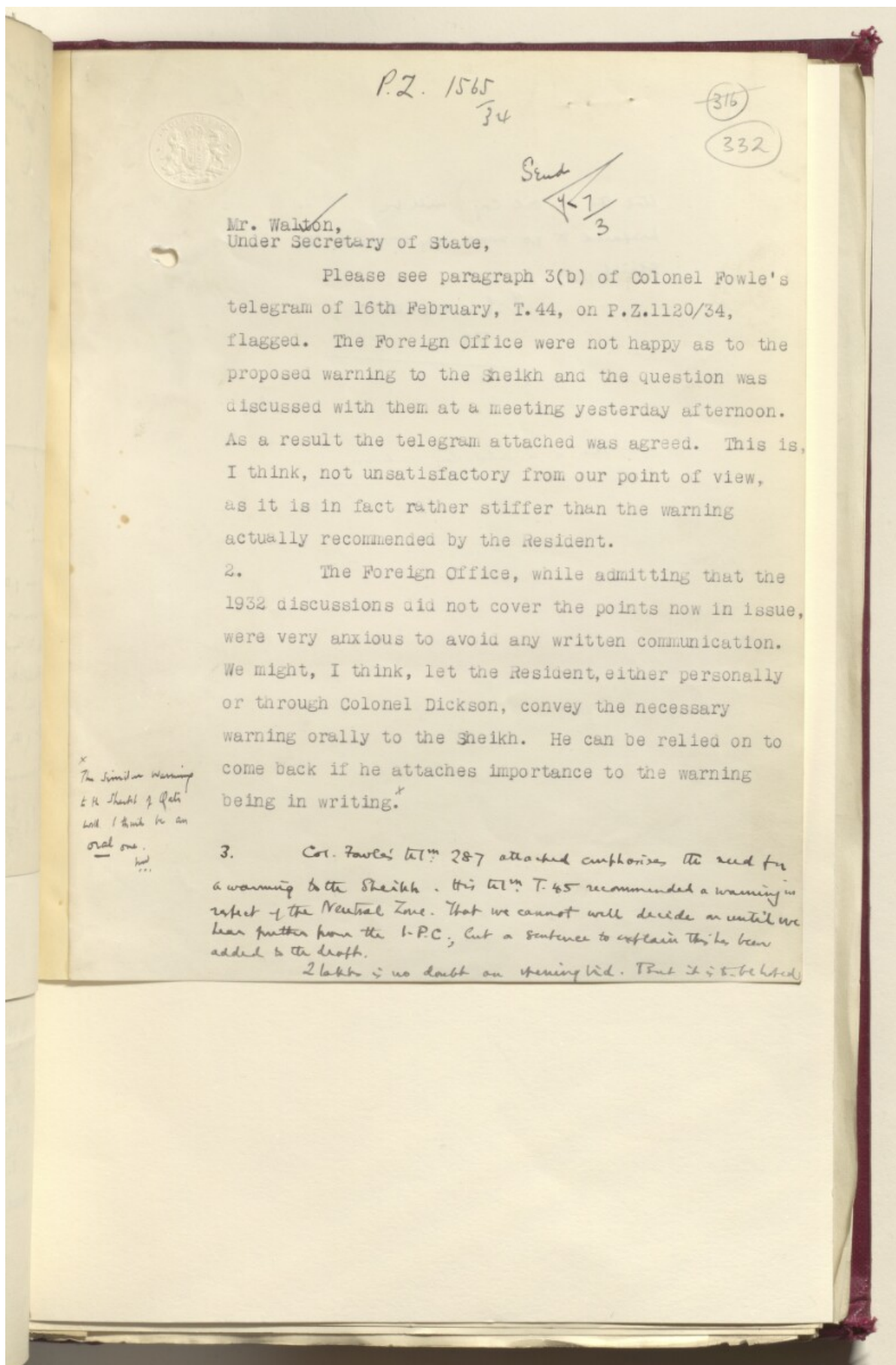
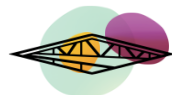
Yours ever,

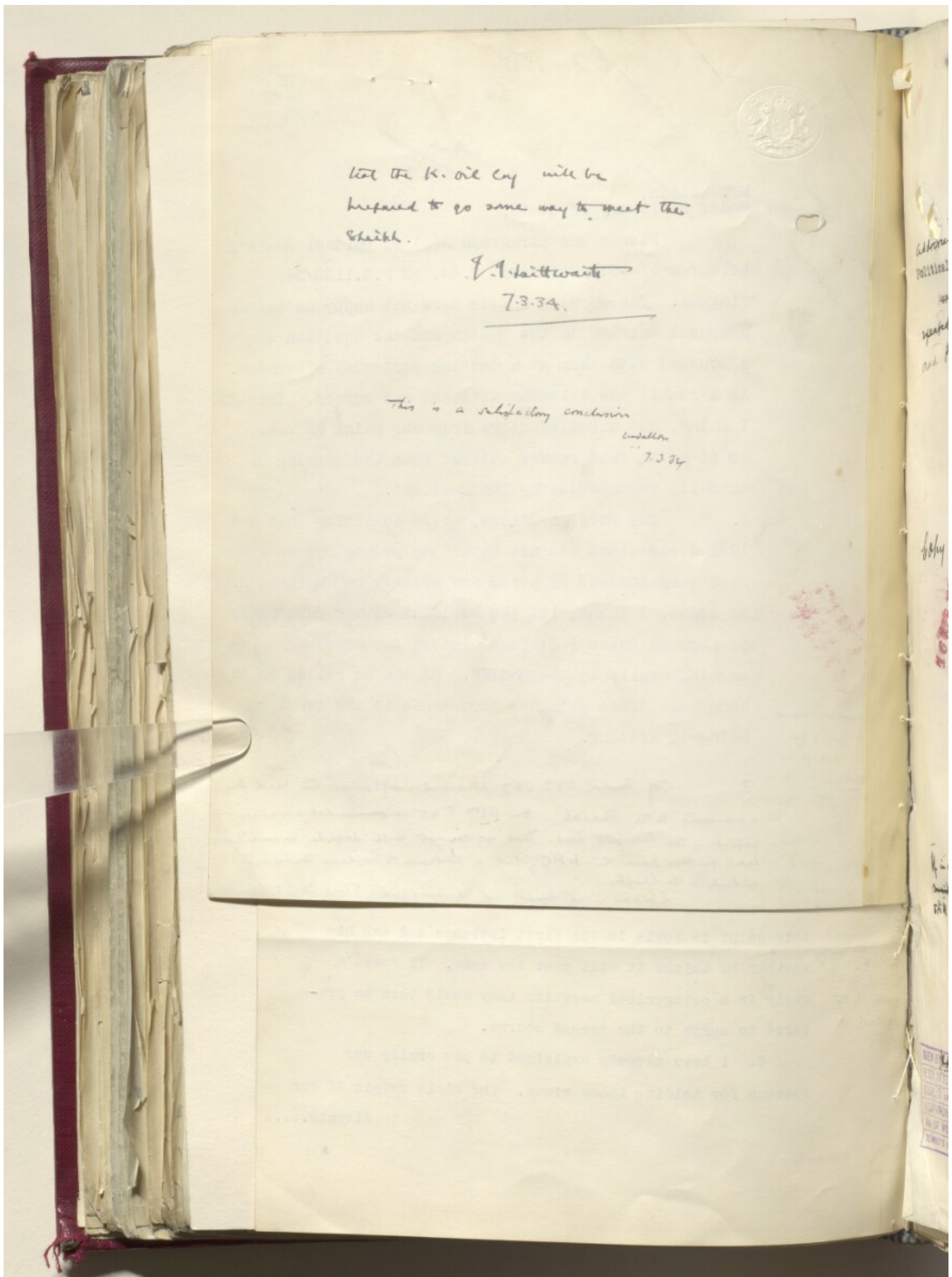
Croy T. Edell













P.L. 1565
34

(317)
333

March 4

Addressed
Political Resident, Bahrain

Resistan Gulf.
repeated 9.11.1962
and PA Kuwait 623
Cypher xxx

copy to F.O. 16
Pet. Dept.
Admiralty.
(copy) J. G. R. 16
H.M.G. 1964

Seen 7.3

If in view of above
consideration you are
still of this opinion

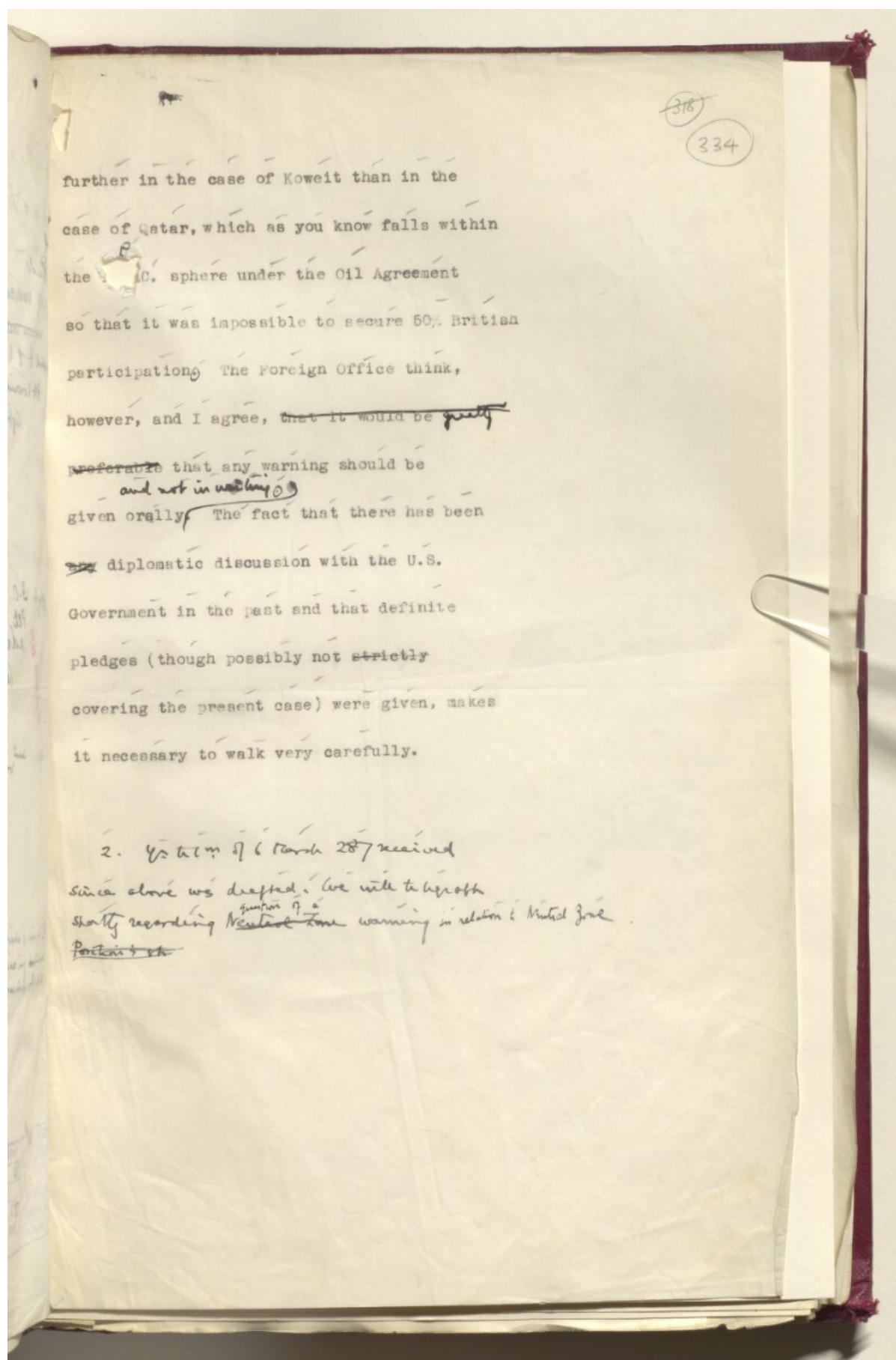
Important 7/6 Feb.
Your telegram T/44/paragraph 3.

Our object is of course to secure Koweit
concession for Koweit Oil Company and we should
much prefer therefore to have informed Sheikh
frankly that we wished it given to them. This
course would from the Foreign Office point of
view have had further advantage of being
easily defensible if necessary with U.S.
Government whose original intervention was on
behalf of Gulf Oil Company who now participate
in Koweit Oil Company on a 50% basis. But
we appreciate ^{and} ~~since in~~ your view ^{over} enthusiastic support
might make Company's position more difficult.

→ we should prefer, if you attach importance
to warning to Sheikh, that ^{warning to Sheikh} (should be to
effect that H.M.G. will not consent to the
grant of a concession to any company which is
not (like the Koweit Oil Company) at least
50% British. We are in a position to go
further....

SEEN BY	DATE	TIME
RECD. INTEL. B.G.H.	7/3	4.50 PM
CODE, X or XX	XXX	
DESPATCHED	7/3	6.55 PM
No. OF WORDS	212 212 213	
SENDER'S INITIALS		

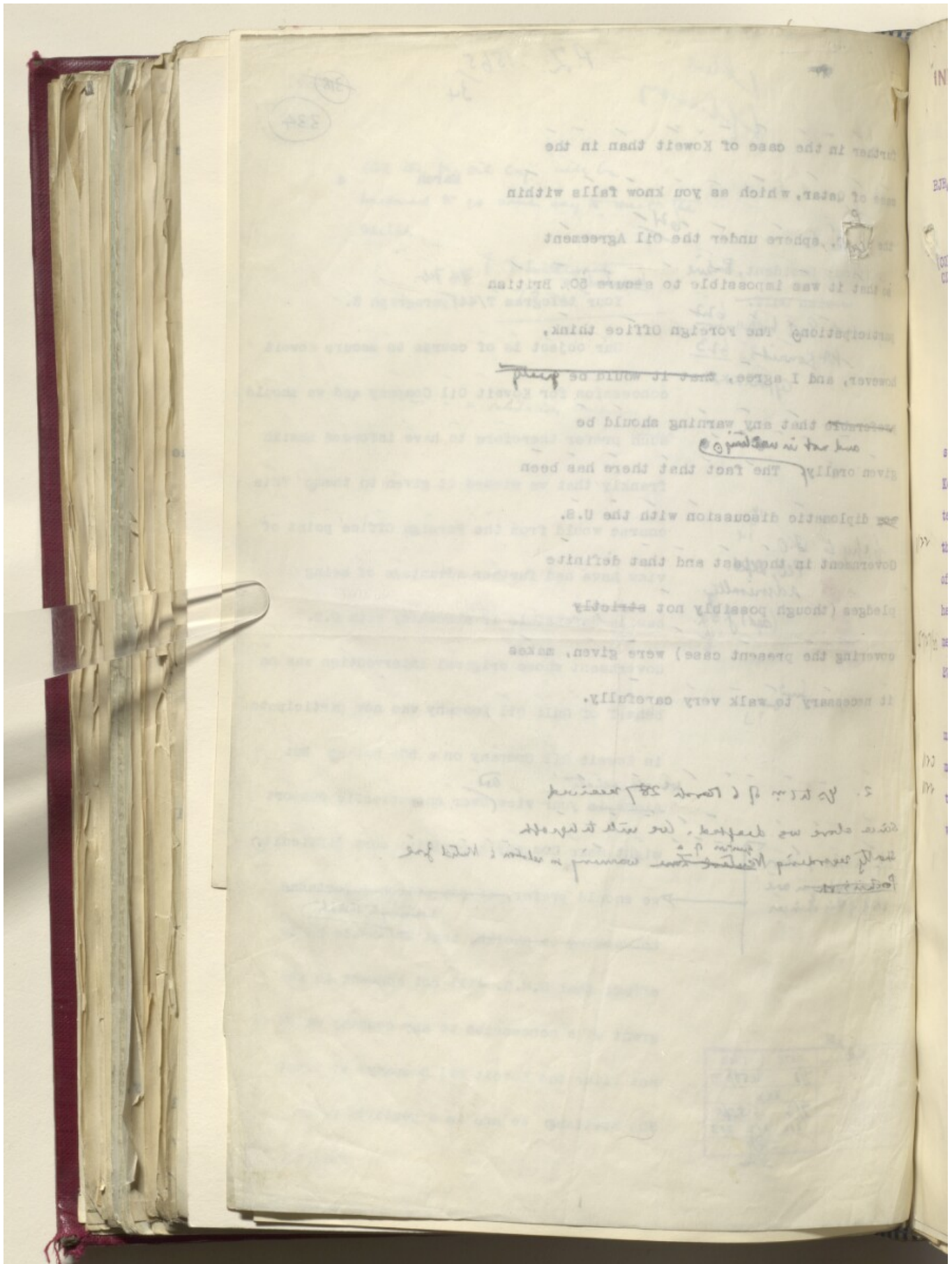




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334

further in the case of Koweit than in the
case of Qatar, which as you know falls within
the ² C. sphere under the Oil Agreement
so that it was impossible to secure 50% British
participation. The Foreign Office think,
however, and I agree, that it would be ~~quite~~
~~preferable~~ that any warning should be
and not in writing. The fact that there has been
~~no~~ diplomatic discussion with the U.S.
Government in the past and that definite
pledges (though possibly not strictly
covering the present case) were given, makes
it necessary to walk very carefully.

2. Letter of 6 March 1937 received
since above was drafted. We will to be forth
shortly recording ^{question of} ~~the~~ warning in relation to Mutual Fund
~~Porter & Co~~





INDEXED FILE COPY 319 335 SECRET

P. Z.
1565
1934

7/3/34 7.0. Lett Lett 1521 Roly mrl.

RJR/EM (107 groups)

DECYPHER OF TELEGRAM

(COPIES CIRCULATED) From Political Resident in the Persian Gulf to Secretary of State for India.
Dated Bushire, 6th March, 1934.
Received 6th March, 1934, 6.20 p.m.

287 XXX

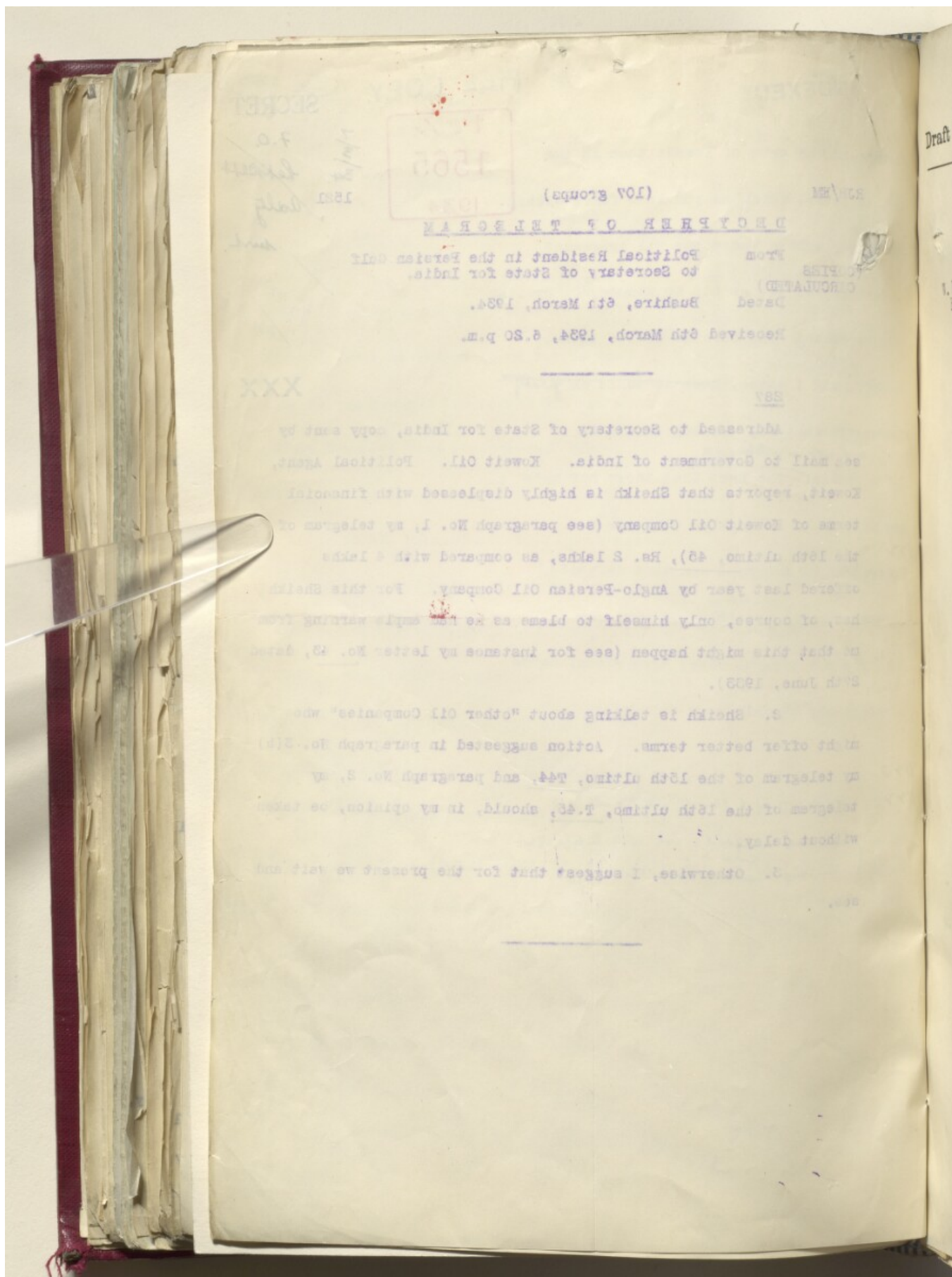
Addressed to Secretary of State for India, copy sent by sea mail to Government of India. Koweit Oil. Political Agent, Koweit, reports that Sheikh is highly displeased with financial terms of Koweit Oil Company (see paragraph No. 1, my telegram of the 16th ultimo, 45), Rs. 2 lakhs, as compared with 4 lakhs offered last year by Anglo-Persian Oil Company. For this Sheikh has, of course, only himself to blame as he had ample warning from me that this might happen (see for instance my letter No. 43, dated 27th June, 1933).

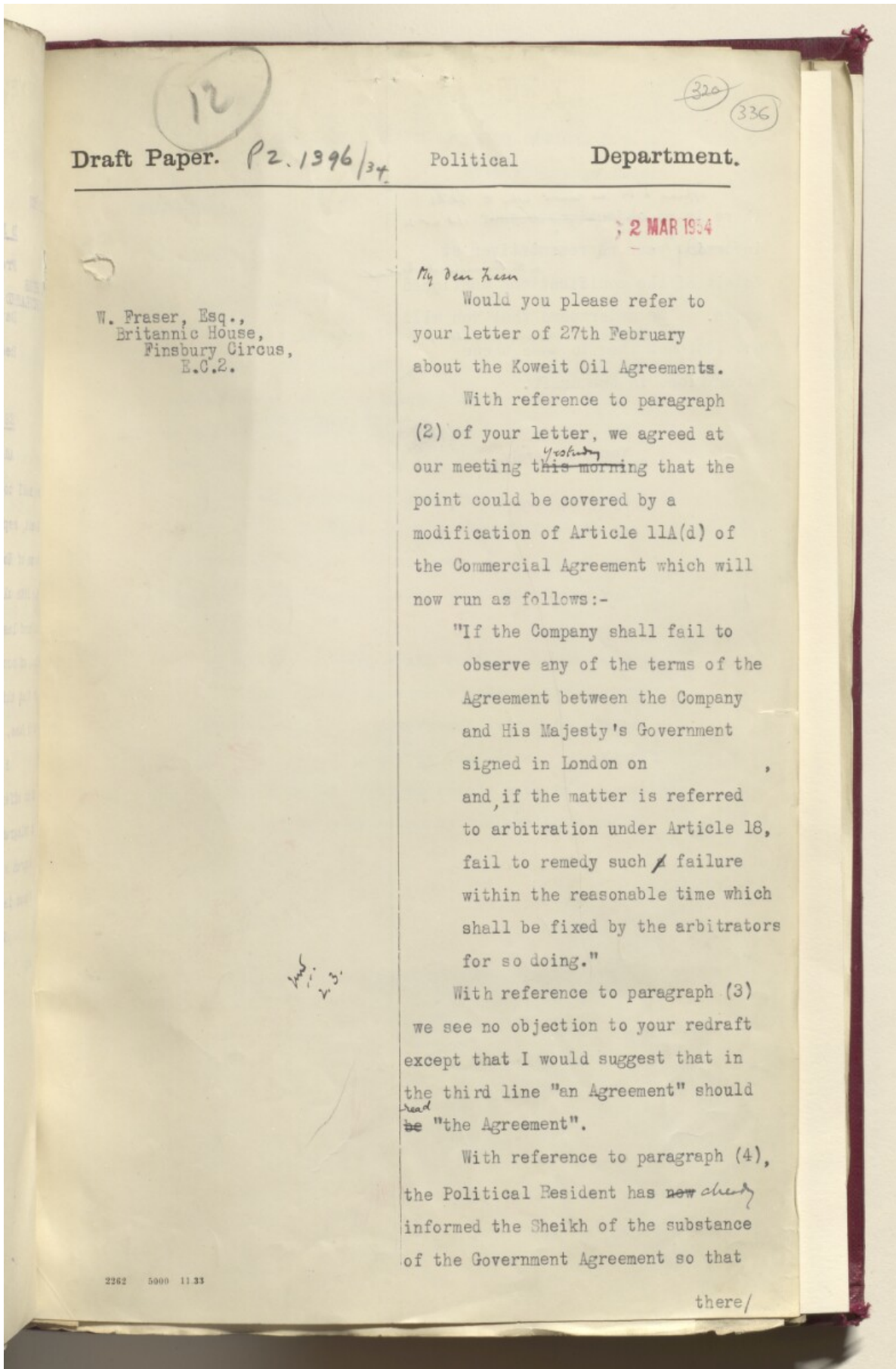
1122 5727/21

2. Sheikh is talking about "other Oil Companies" who might offer better terms. Action suggested in paragraph No. 3(b) my telegram of the 15th ultimo, T44, and paragraph No. 2, my telegram of the 16th ultimo, T.45, should, in my opinion, be taken without delay.

1120 1122

3. Otherwise, I suggest that for the present we wait and see.



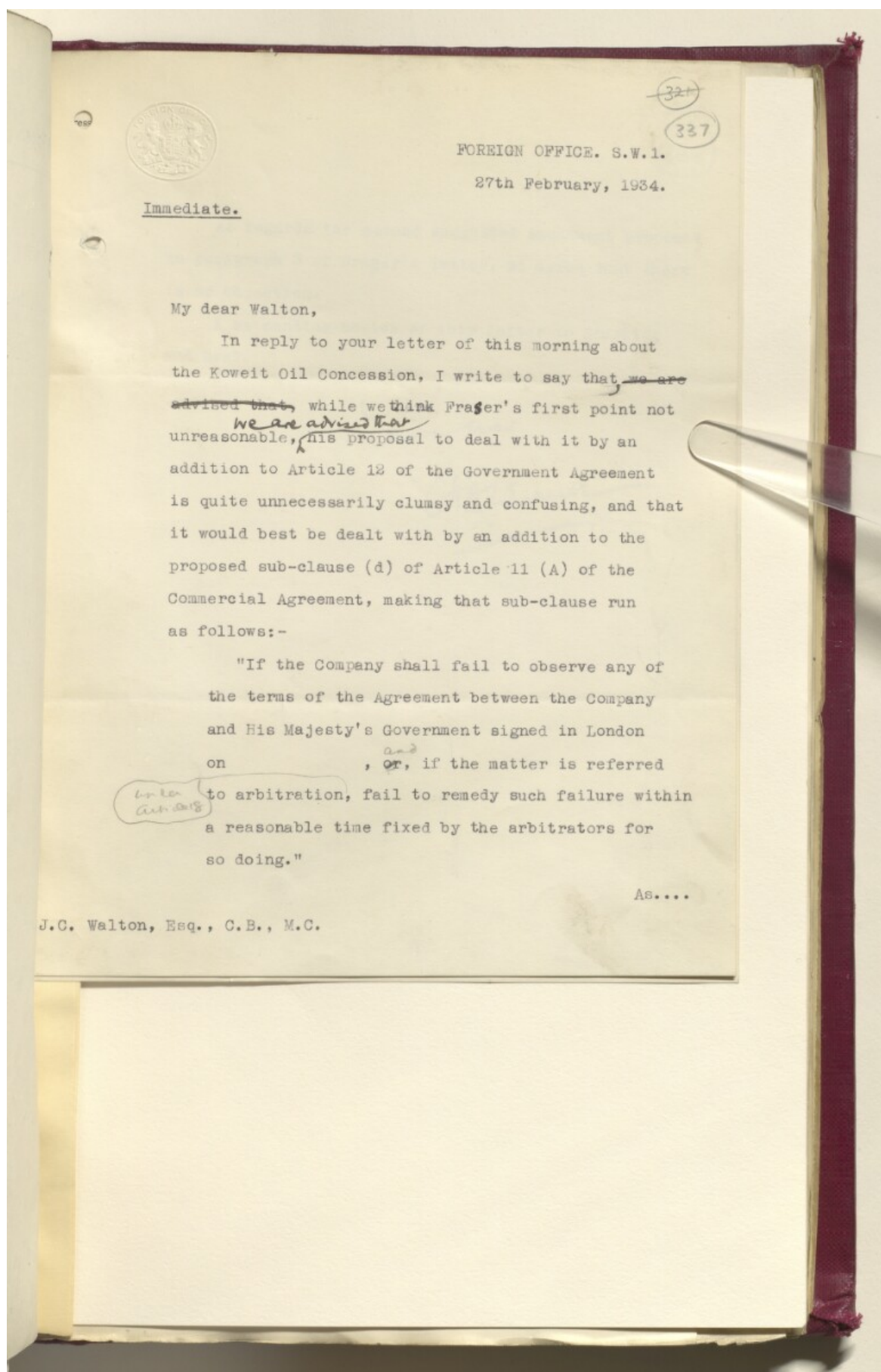




appears to be no reason why the Shaikh
there ~~is no objection to your~~ *should not be*
informing ^{by} your representatives at
Koweit of the modifications ^{in the Commercial Agreement} mentioned
above. We understand that you will
now instruct them to ^{inform the Shaikh of} make these
alterations in the draft.

Yours sincerely,

(Sd.) J. C. WALTON.



FOREIGN OFFICE. S.W.1.

27th February, 1934.

Immediate.

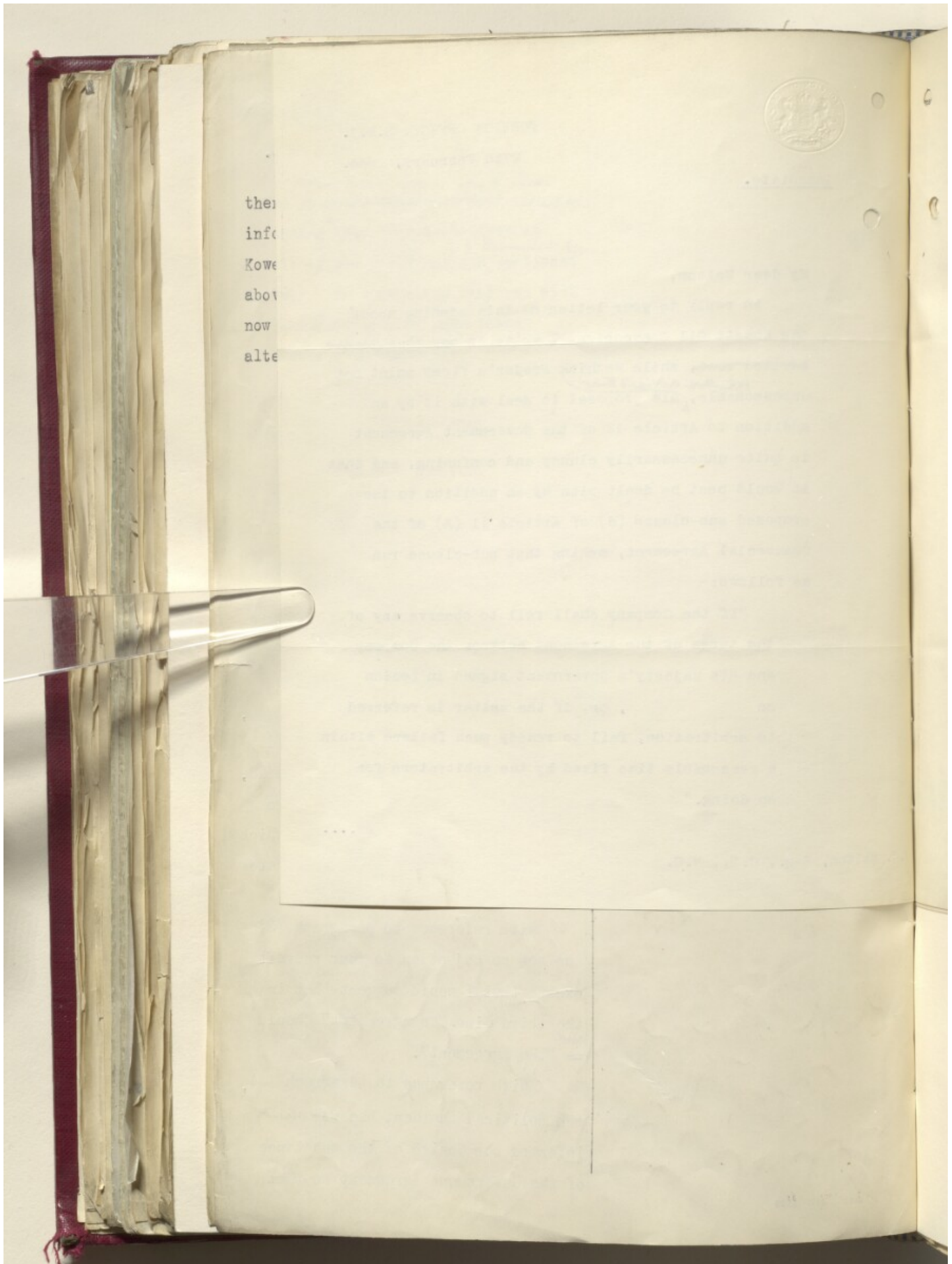
My dear Walton,

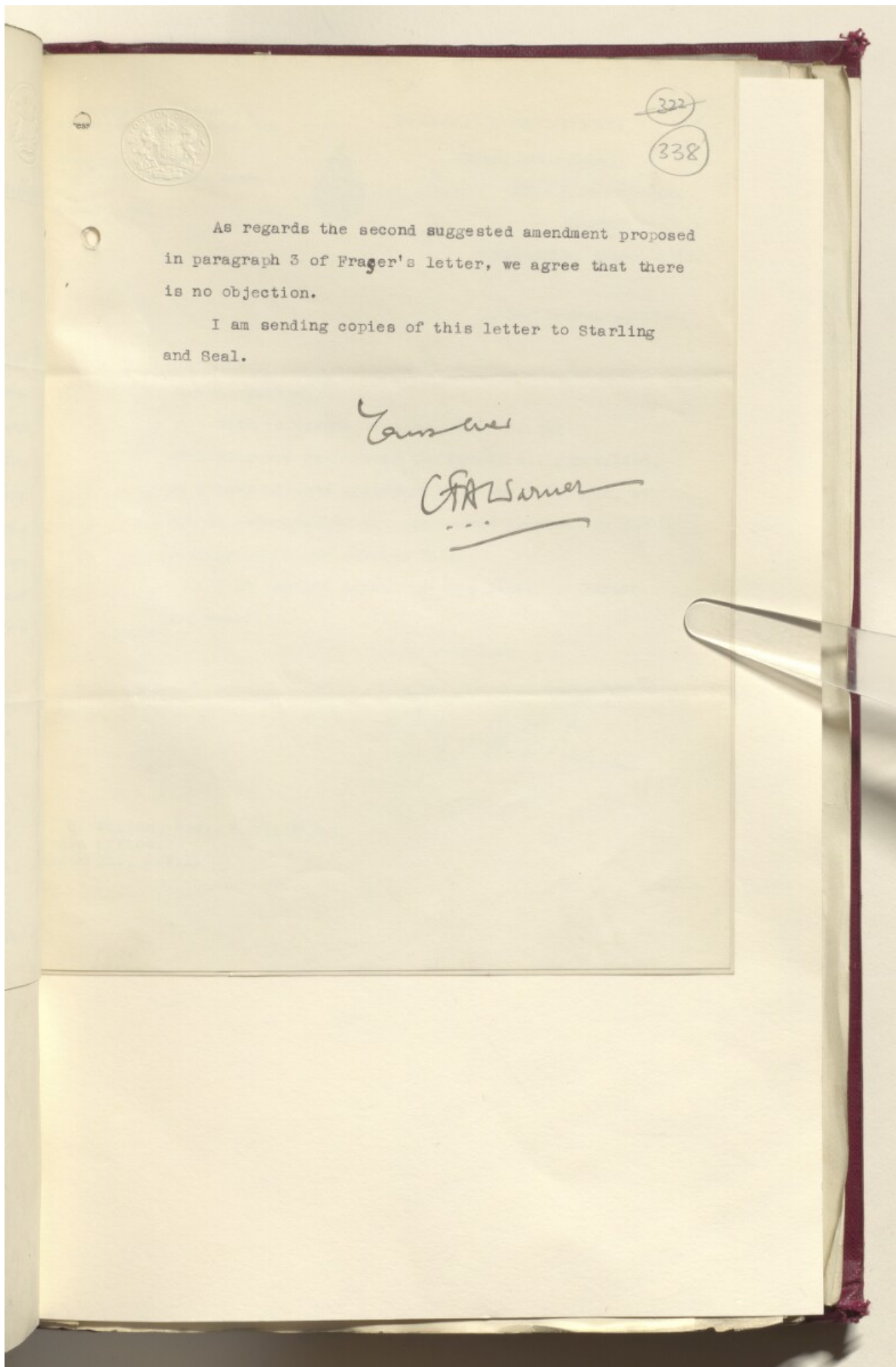
In reply to your letter of this morning about the Koweit Oil Concession, I write to say that ~~we are advised that~~, while we think Fraser's first point not unreasonable, ~~his~~ ^{we are advised that} proposal to deal with it by an addition to Article 12 of the Government Agreement is quite unnecessarily clumsy and confusing, and that it would best be dealt with by an addition to the proposed sub-clause (d) of Article 11 (A) of the Commercial Agreement, making that sub-clause run as follows:-

"If the Company shall fail to observe any of the terms of the Agreement between the Company and His Majesty's Government signed in London on ^{and} ~~or~~, if the matter is referred to arbitration, fail to remedy such failure within a reasonable time fixed by the arbitrators for so doing."

As....

J.C. Walton, Esq., C.B., M.C.

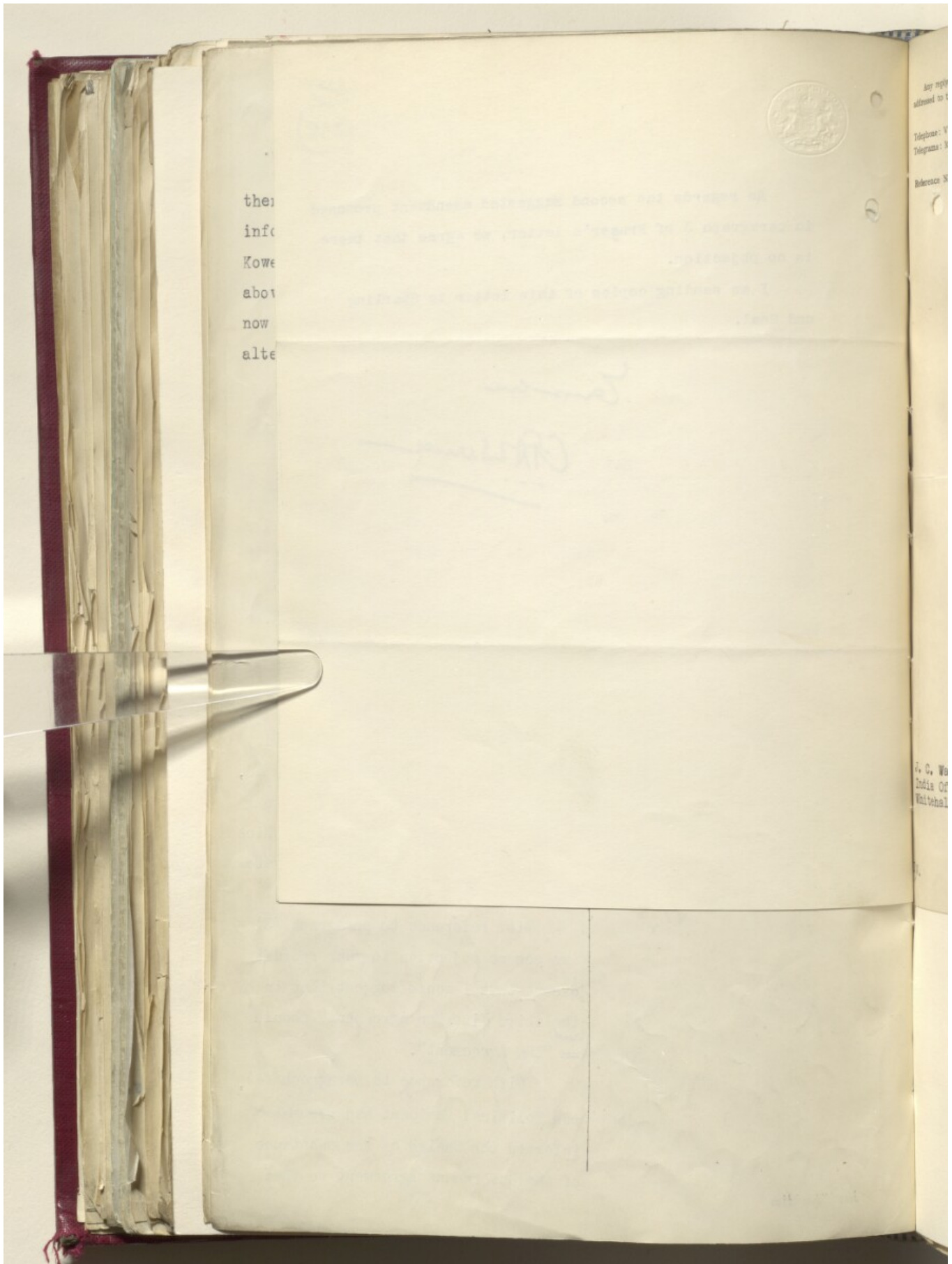


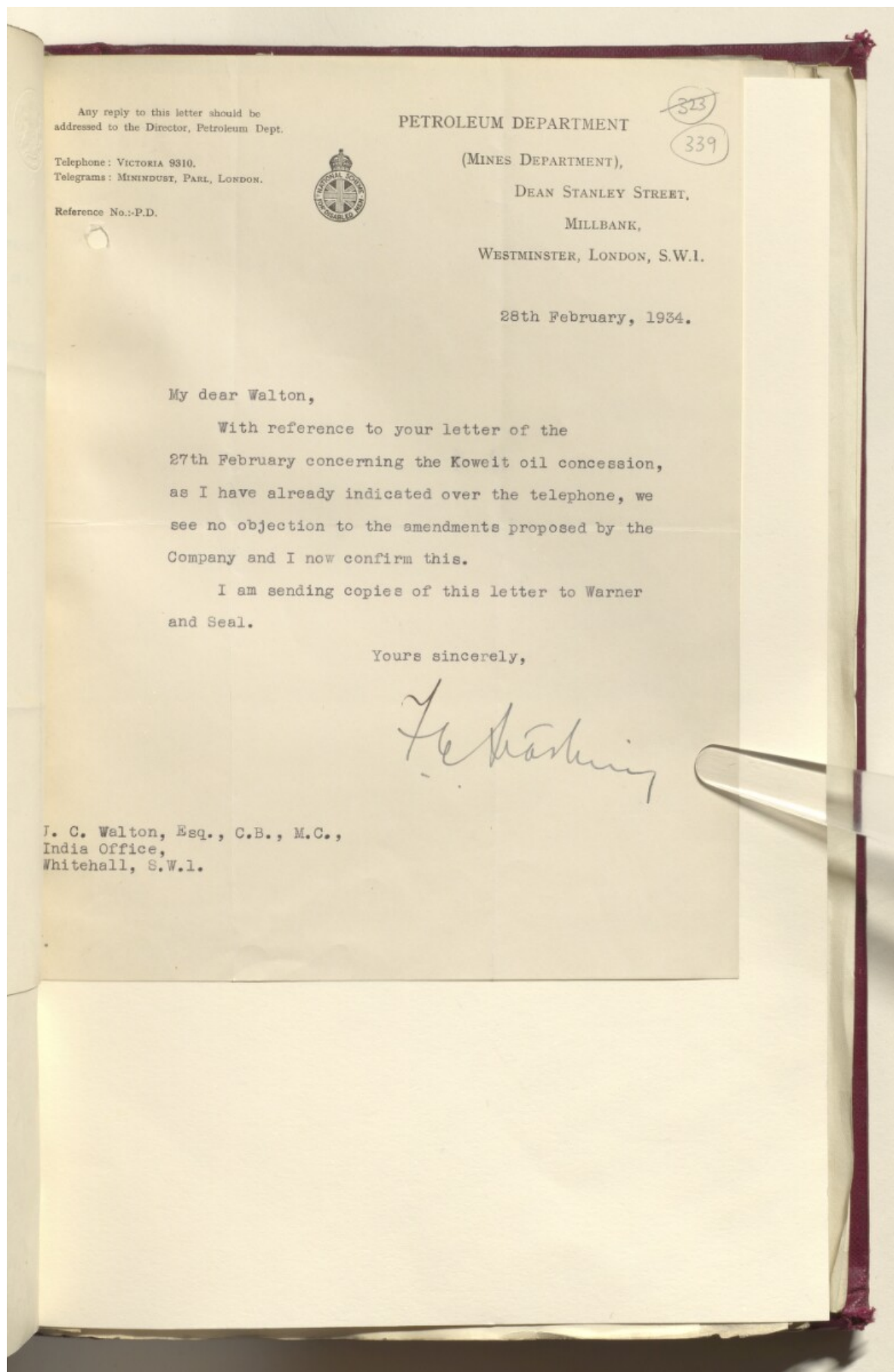


As regards the second suggested amendment proposed in paragraph 3 of Frager's letter, we agree that there is no objection.

I am sending copies of this letter to Starling and Seal.

Frager
CFR





Any reply to this letter should be addressed to the Director, Petroleum Dept.

Telephone: VICTORIA 9310.
Telegrams: MININDUST, PARL, LONDON.

Reference No.: P.D.



PETROLEUM DEPARTMENT

(MINES DEPARTMENT),

DEAN STANLEY STREET,
MILLBANK,
WESTMINSTER, LONDON, S.W.1.

28th February, 1934.

My dear Walton,

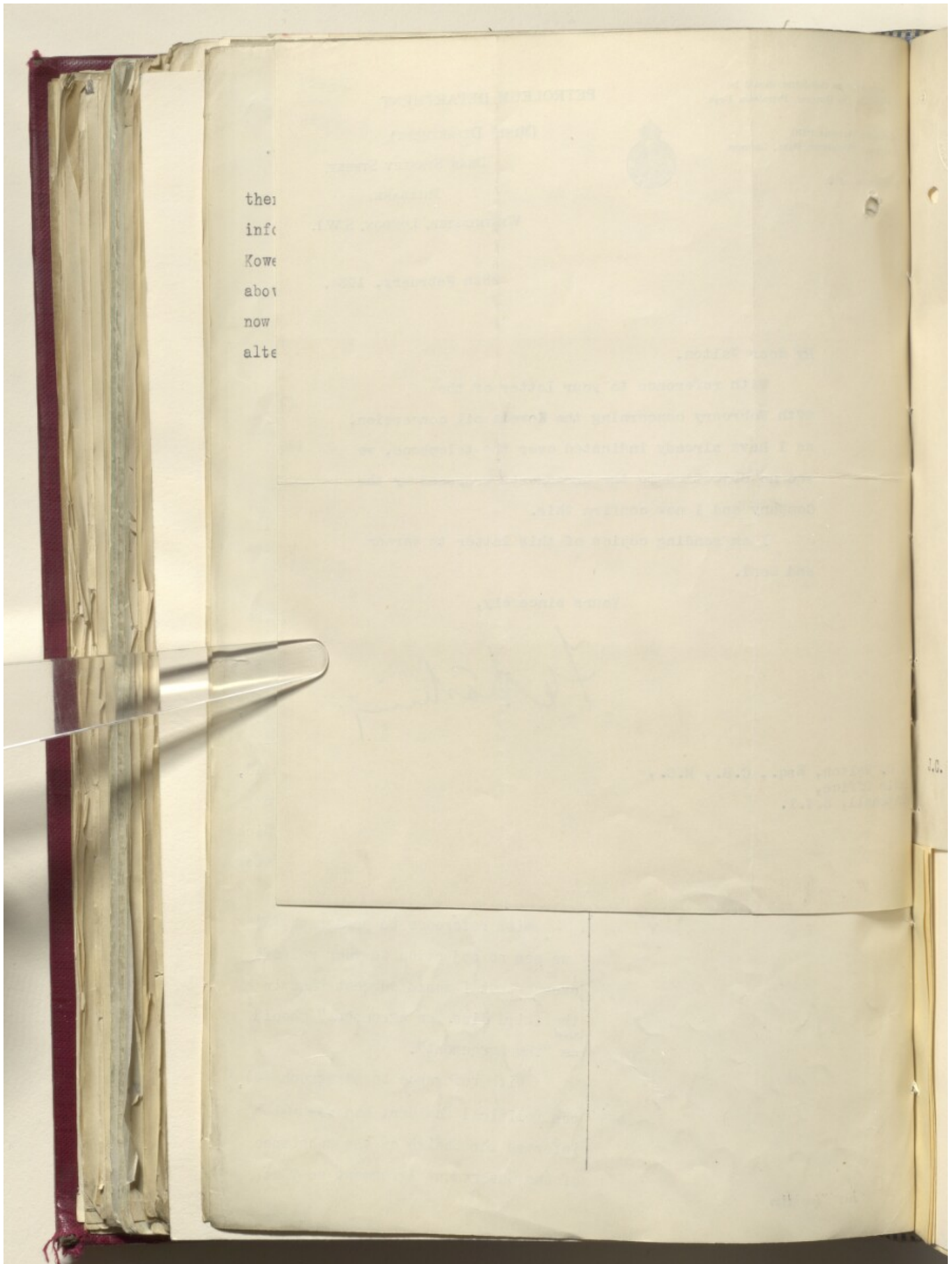
With reference to your letter of the 27th February concerning the Koweit oil concession, as I have already indicated over the telephone, we see no objection to the amendments proposed by the Company and I now confirm this.

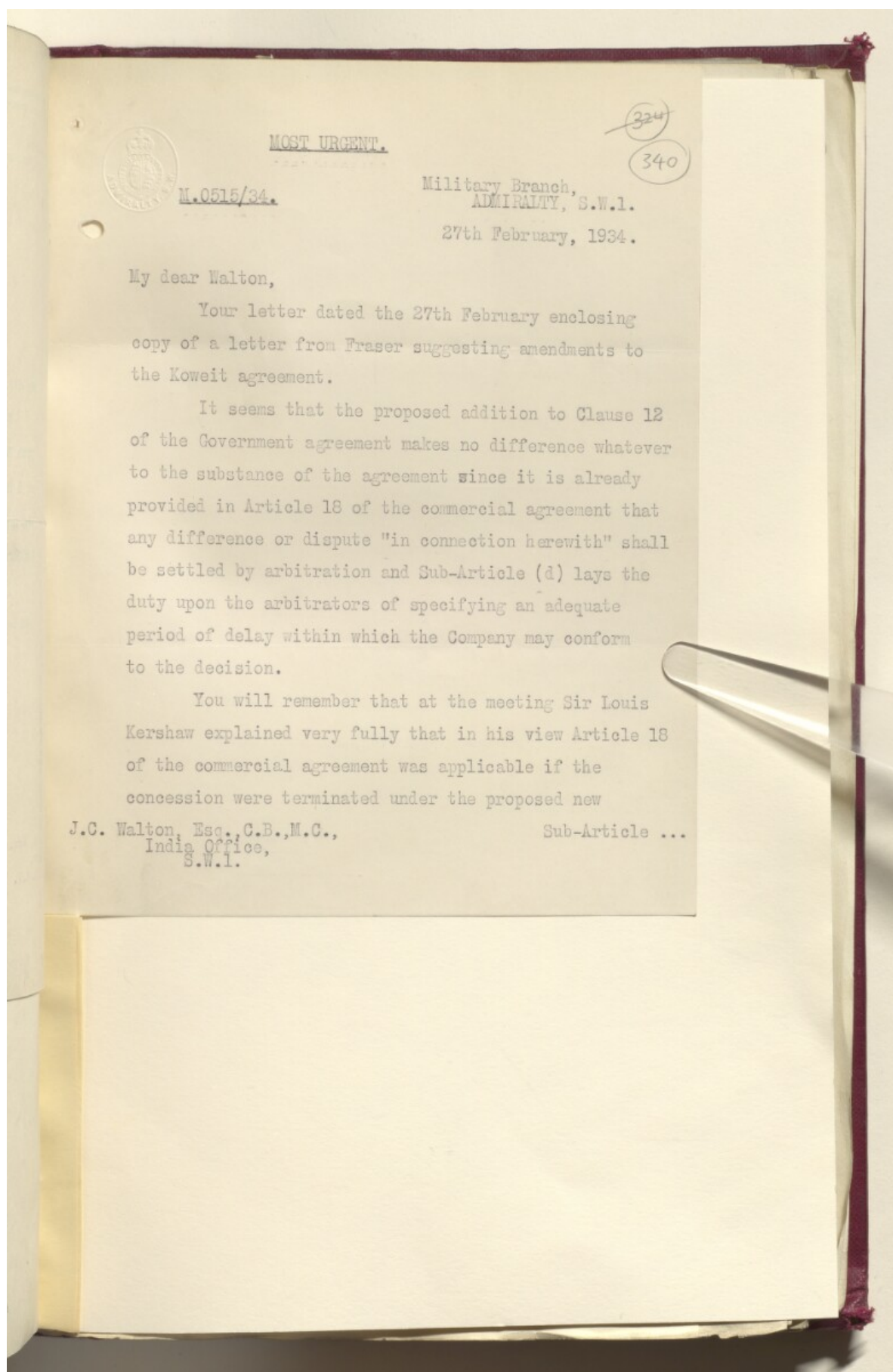
I am sending copies of this letter to Warner and Seal.

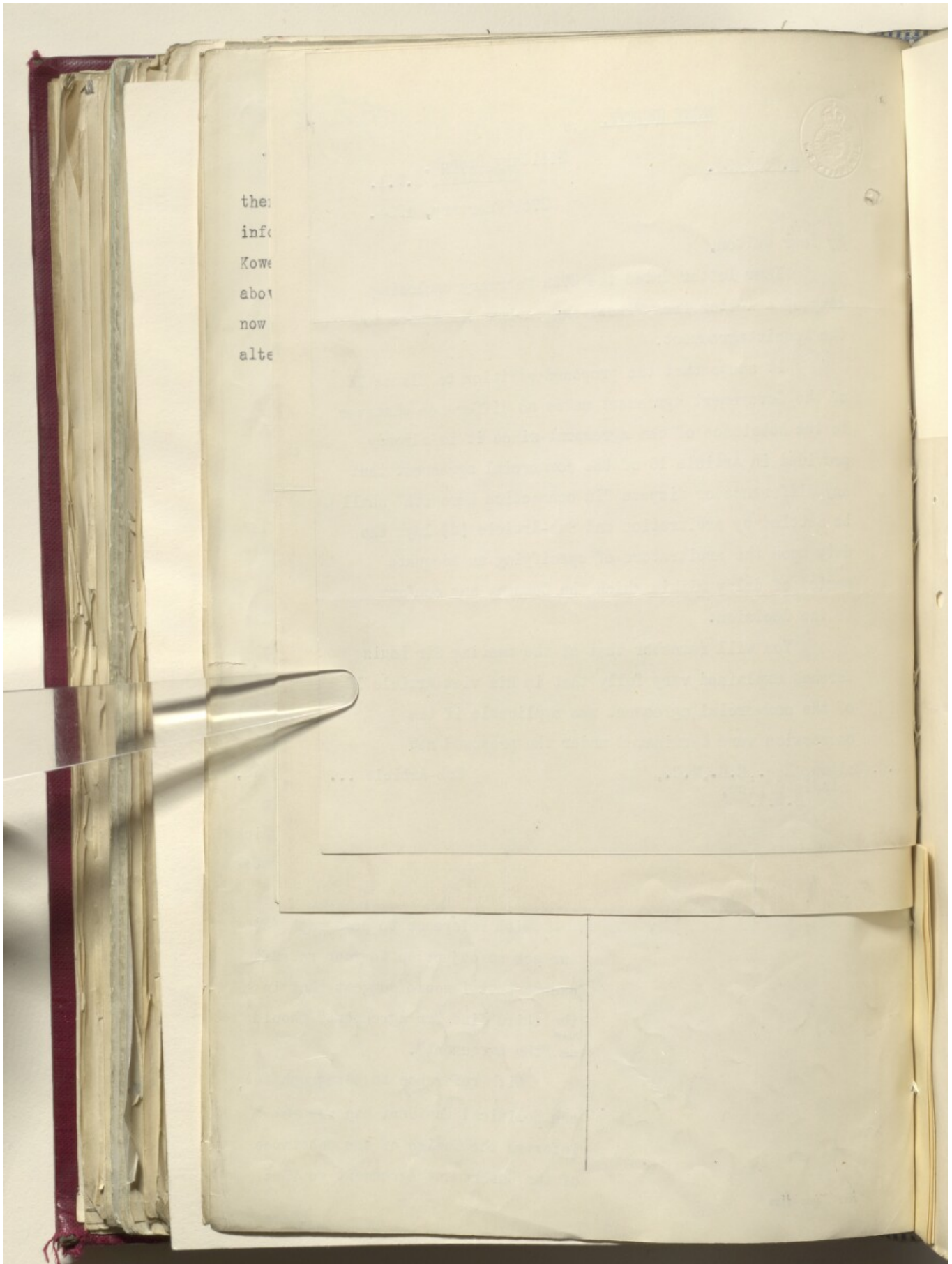
Yours sincerely,

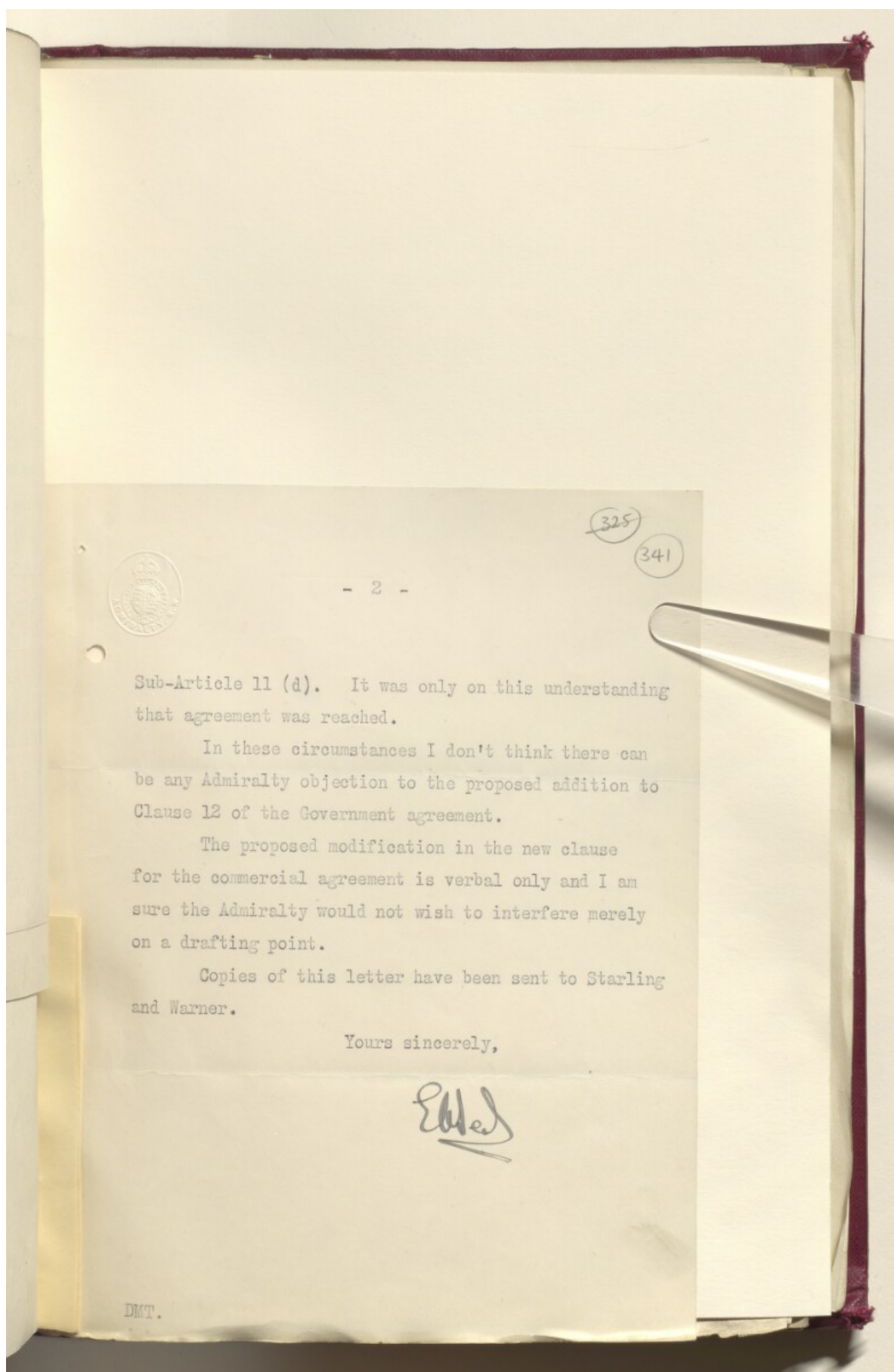
F. C. Haskins

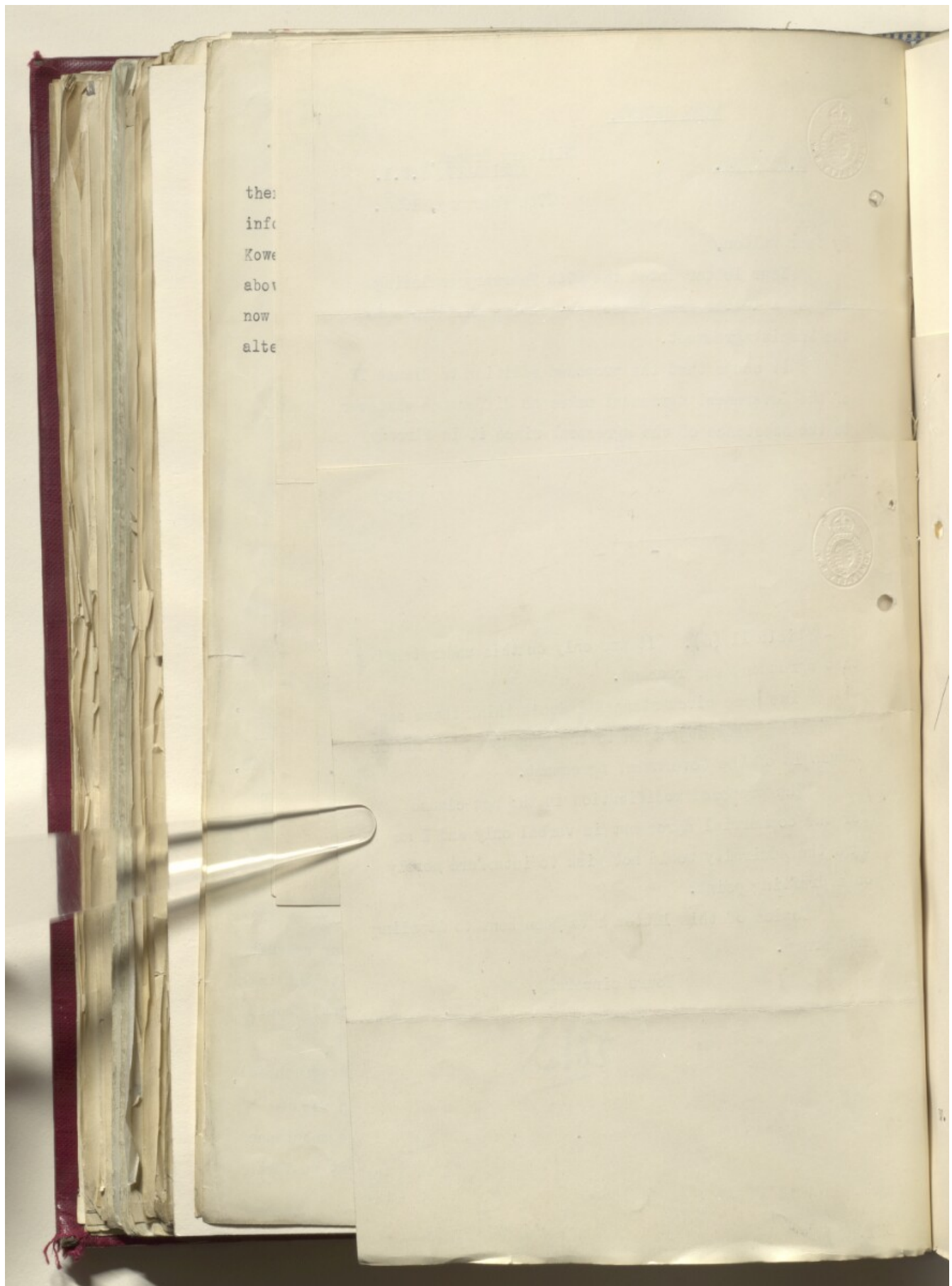
J. C. Walton, Esq., C.B., M.C.,
India Office,
Whitehall, S.W.1.

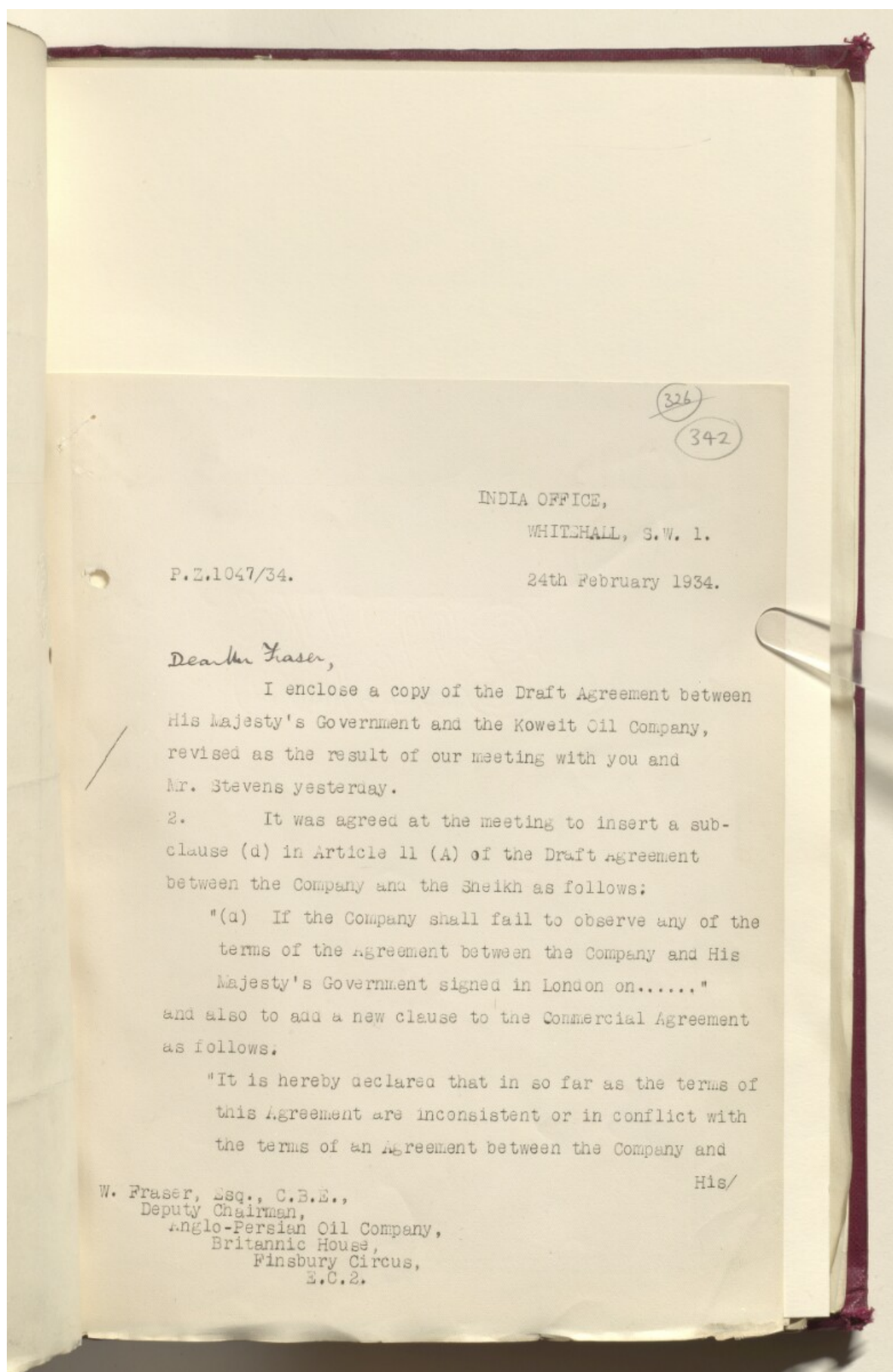


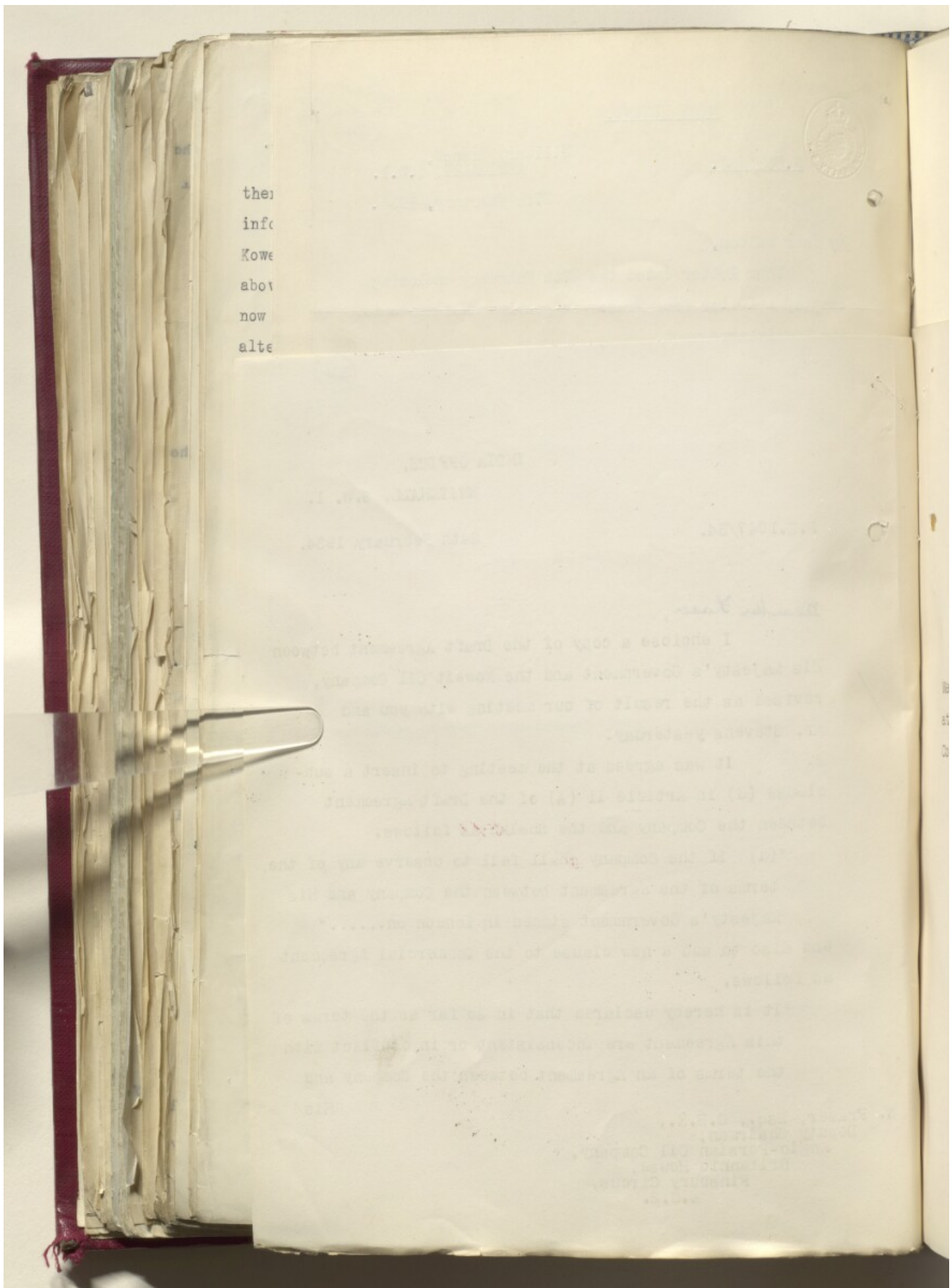


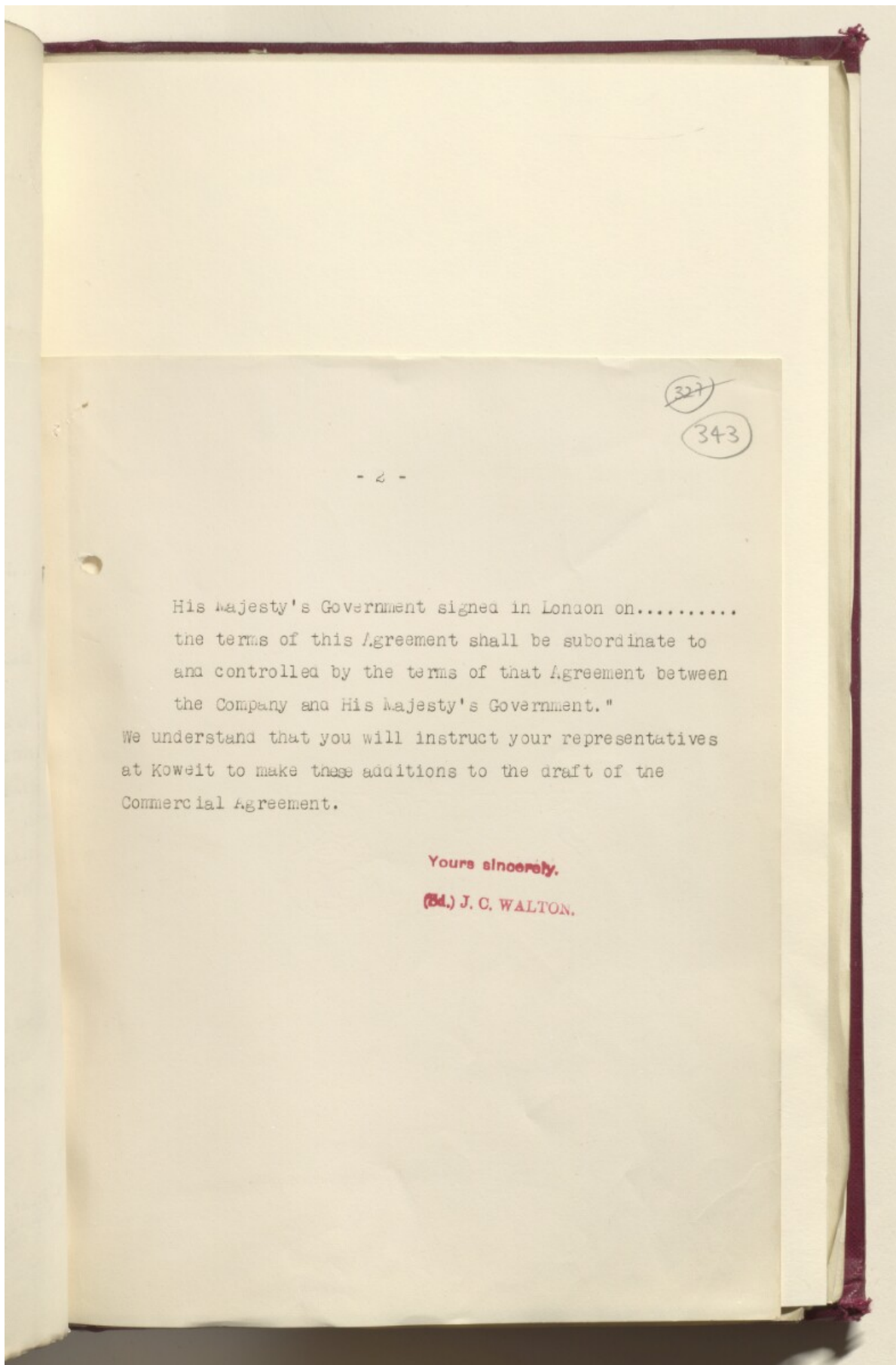


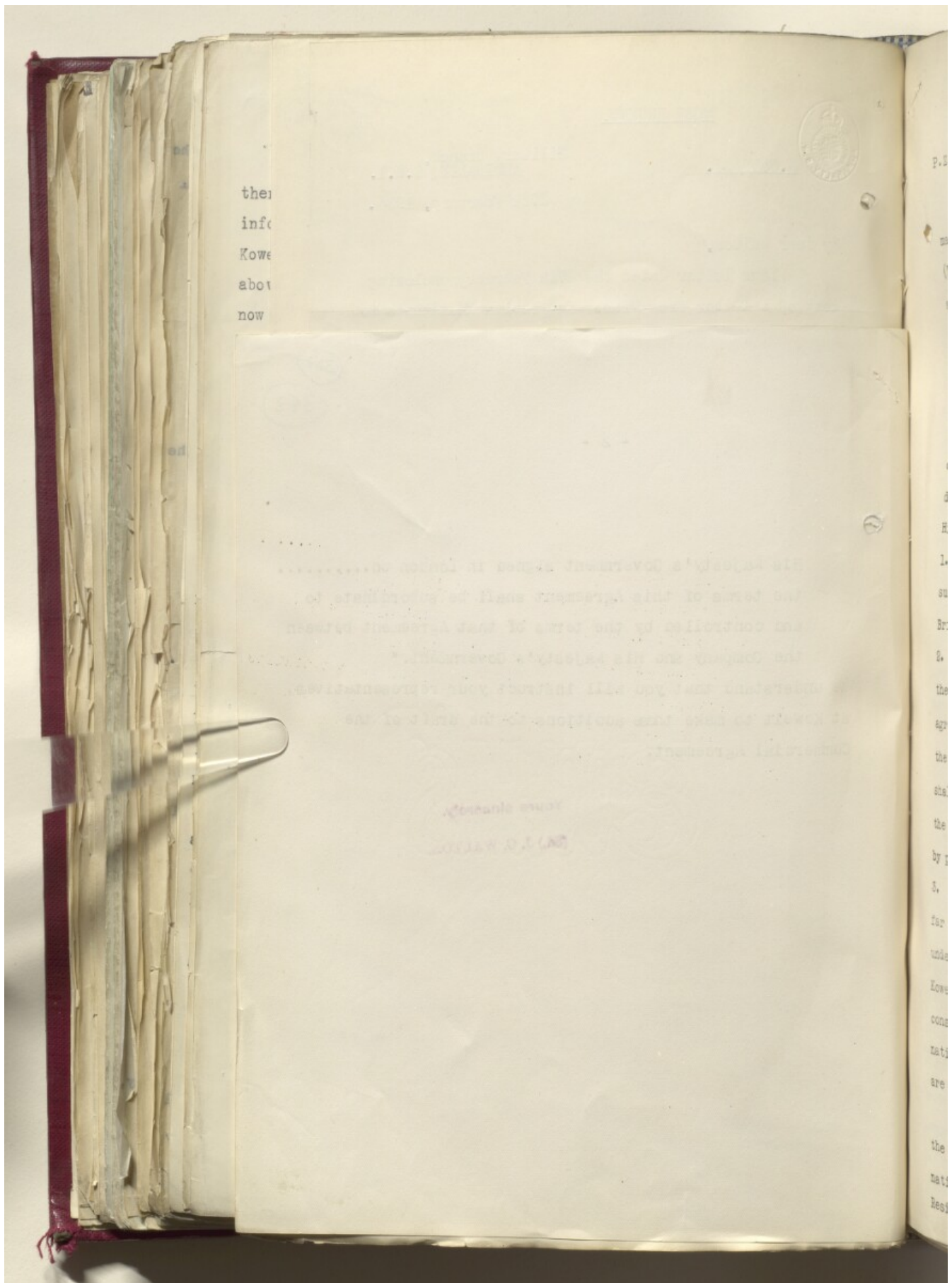














(23/2/34)

328

344

P.Z.1047/34.

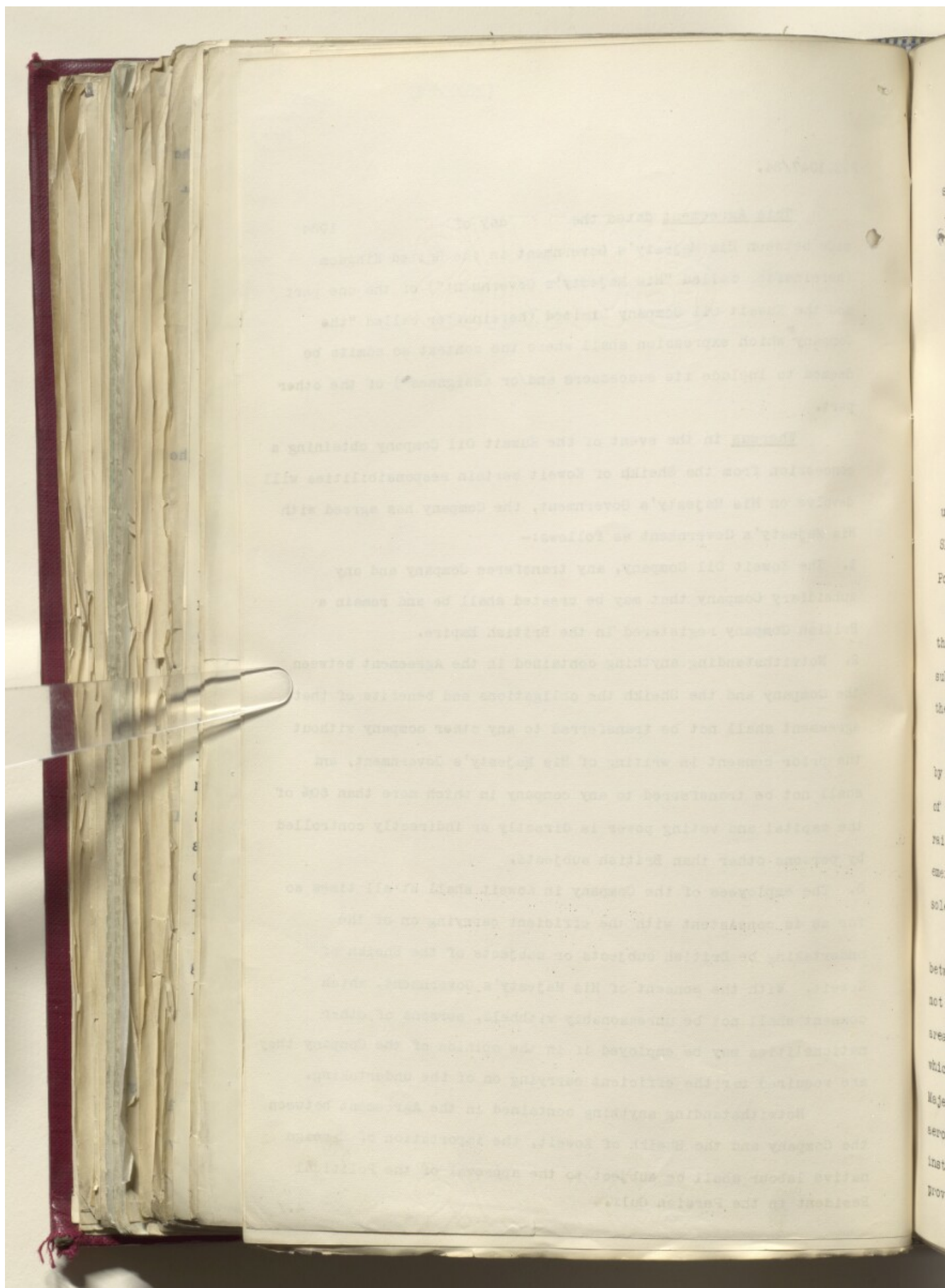
This Agreement dated the day of 1934
made between His Majesty's Government in the United Kingdom
(hereinafter called "His Majesty's Government") of the one part
and the Kuwait Oil Company Limited (hereinafter called "the
Company" which expression shall where the context so admits be
deemed to include its successors and/or assignees) of the other
part.

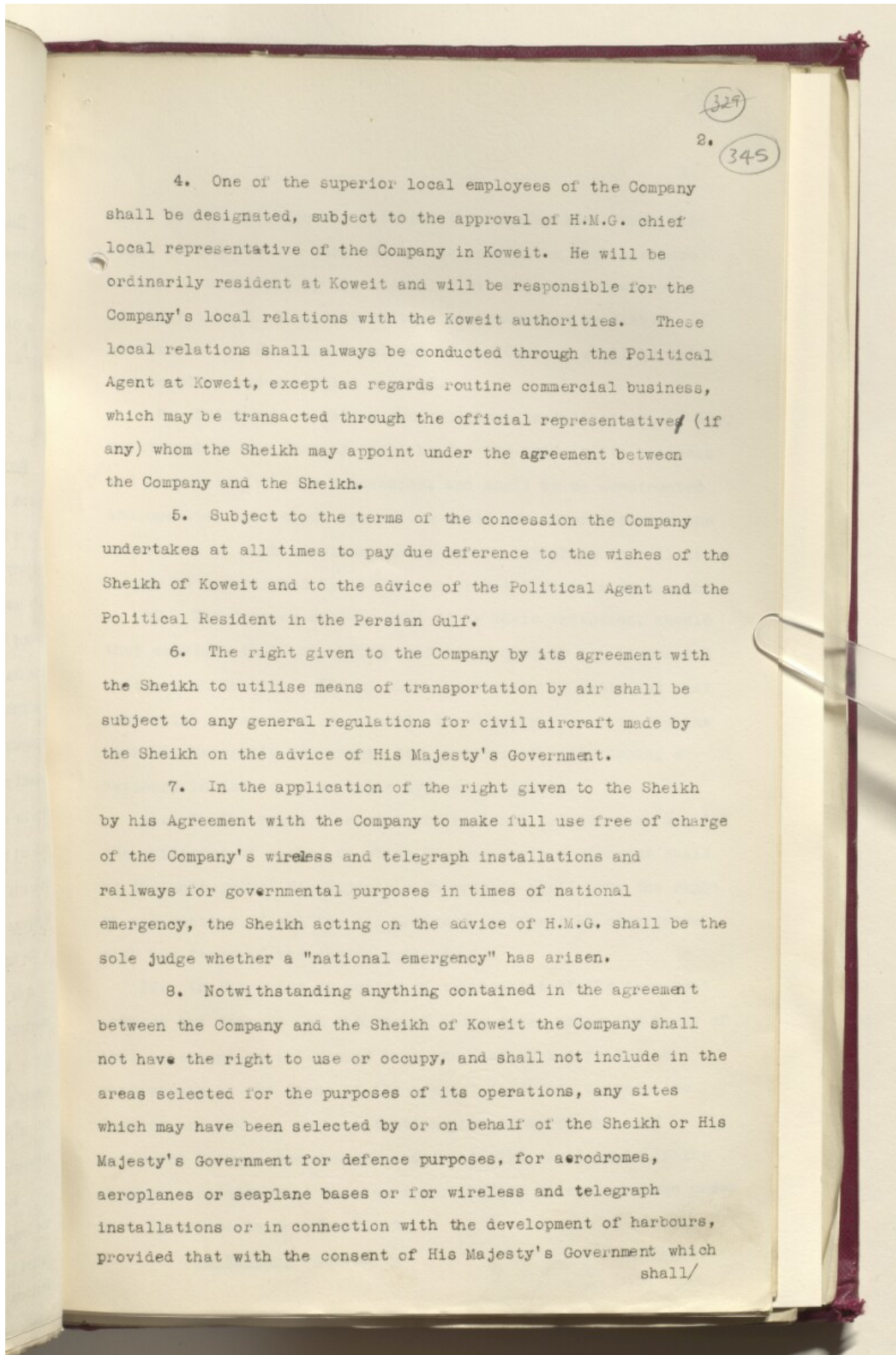
Whereas in the event of the Kuwait Oil Company obtaining a
concession from the Sheikh of Koweit certain responsibilities will
devolve on His Majesty's Government, the Company has agreed with
His Majesty's Government as follows:-

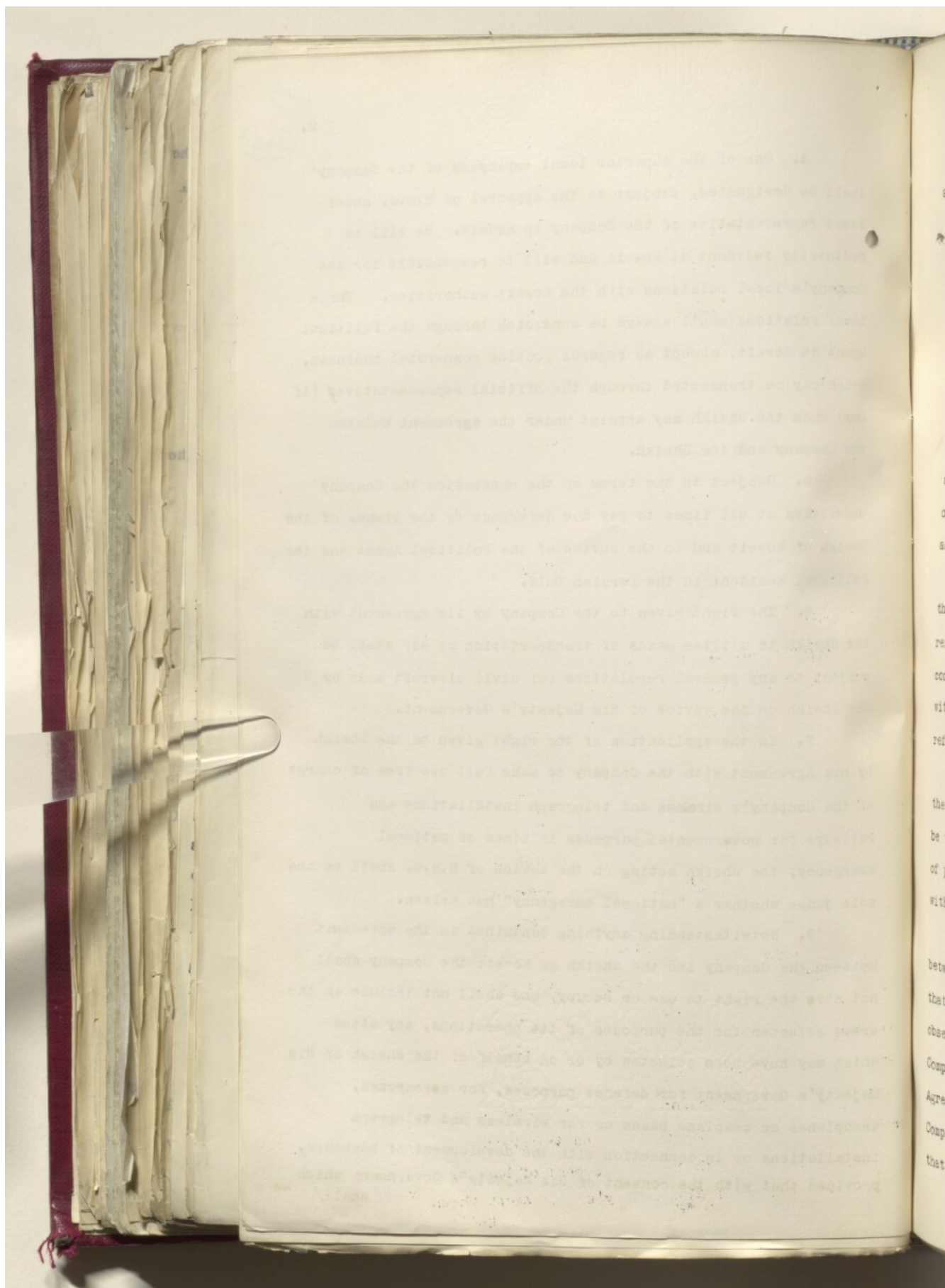
1. The Koweit Oil Company, any transferee Company and any
subsidiary Company that may be created shall be and remain a
British Company registered in the British Empire.
2. Notwithstanding anything contained in the Agreement between
the Company and the Sheikh the obligations and benefits of that
agreement shall not be transferred to any other company without
the prior consent in writing of His Majesty's Government, and
shall not be transferred to any company in which more than 50% of
the capital and voting power is directly or indirectly controlled
by persons other than British subjects.
3. The employees of the Company in Koweit shall at all times so
far as is consistent with the efficient carrying on of the
undertaking be British subjects or subjects of the Sheikh of
Koweit. With the consent of His Majesty's Government, which
consent shall not be unreasonably withheld, persons of other
nationalities may be employed if in the opinion of the Company they
are required for the efficient carrying on of the undertaking.

Notwithstanding anything contained in the Agreement between
the Company and the Sheikh of Koweit, the importation of foreign
native labour shall be subject to the approval of the Political
Resident in the Persian Gulf.

4./









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346

3.

shall not be unreasonably withheld the Company shall have the right to use for the purposes of its operations such harbours as may be developed by the Sheikh or His Majesty's Government if there is not reasonable harbour accommodation available elsewhere. Harbours developed by the Company shall be under its complete and exclusive control.

9. Telegraph, wireless and telephone installations, if any, maintained by the Company shall be for use only in its business and as provided in the concession, and shall be so constructed and operated that their operations shall not interfere with the operations of such wireless, telegraph or telephone installations as may be established by the Sheikh or His Majesty's Government.

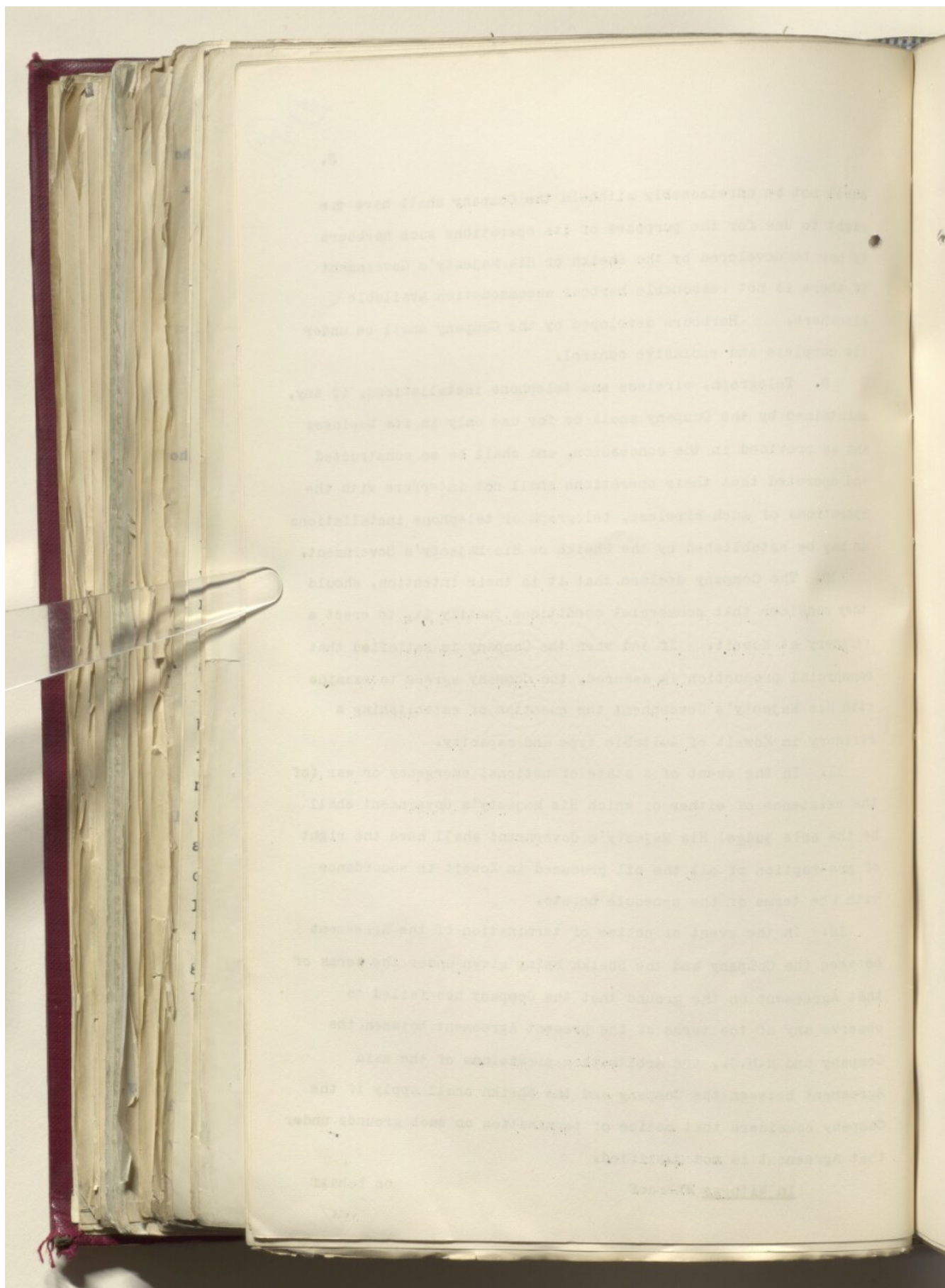
10. The Company declare that it is their intention, should they consider that commercial conditions justify it, to erect a refinery at Koweit. If and when the Company is satisfied that commercial production is assured, the Company agrees to examine with His Majesty's Government the question of establishing a refinery in Koweit of suitable type and capacity.

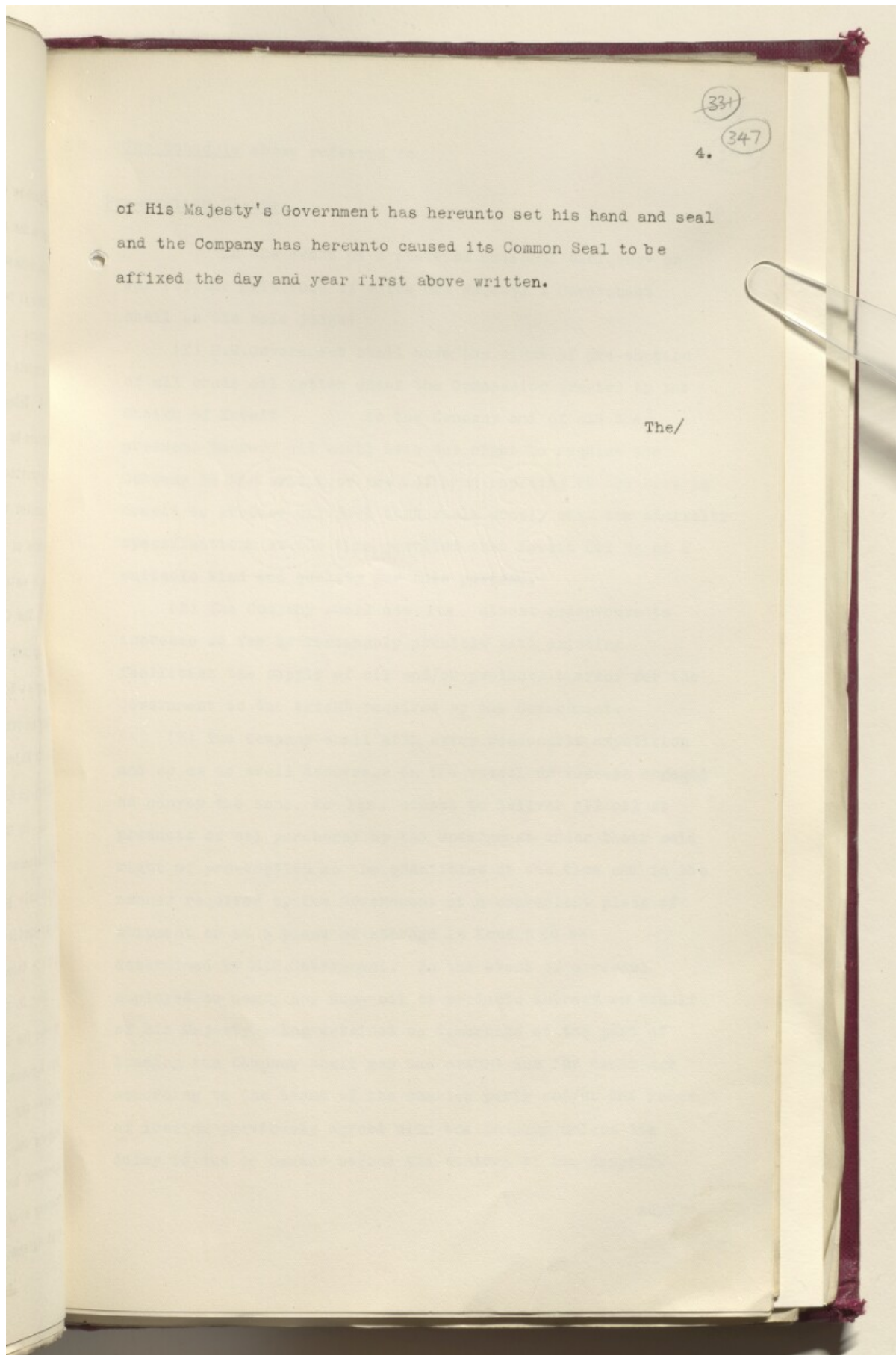
11. In the event of a state of national emergency or war (of the existence of either of which His Majesty's Government shall be the sole judge) His Majesty's Government shall have the right of pre-emption of all the oil produced in Koweit in accordance with the terms of the schedule hereto.

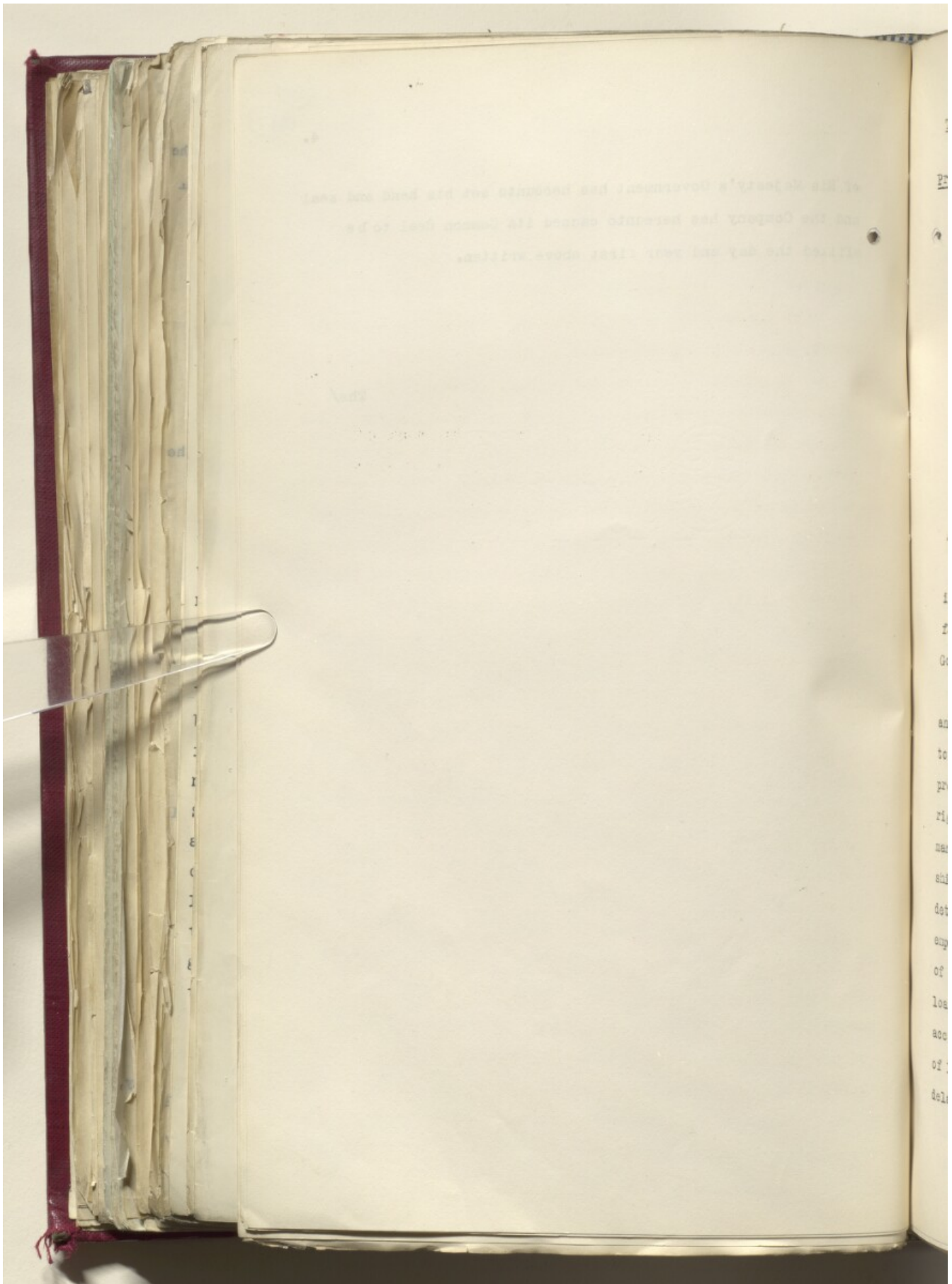
12. In the event of notice of termination of the Agreement between the Company and the Sheikh being given under the terms of that Agreement on the ground that the Company has failed to observe any of the terms of the present Agreement between the Company and H.M.G., the arbitration provisions of the said Agreement between the Company and the Sheikh shall apply if the Company considers that notice of termination on such grounds under that Agreement is not justified.

In Witness Whereof

on behalf
of/









The Schedule above referred to

232
348

Pre-emption Clause.

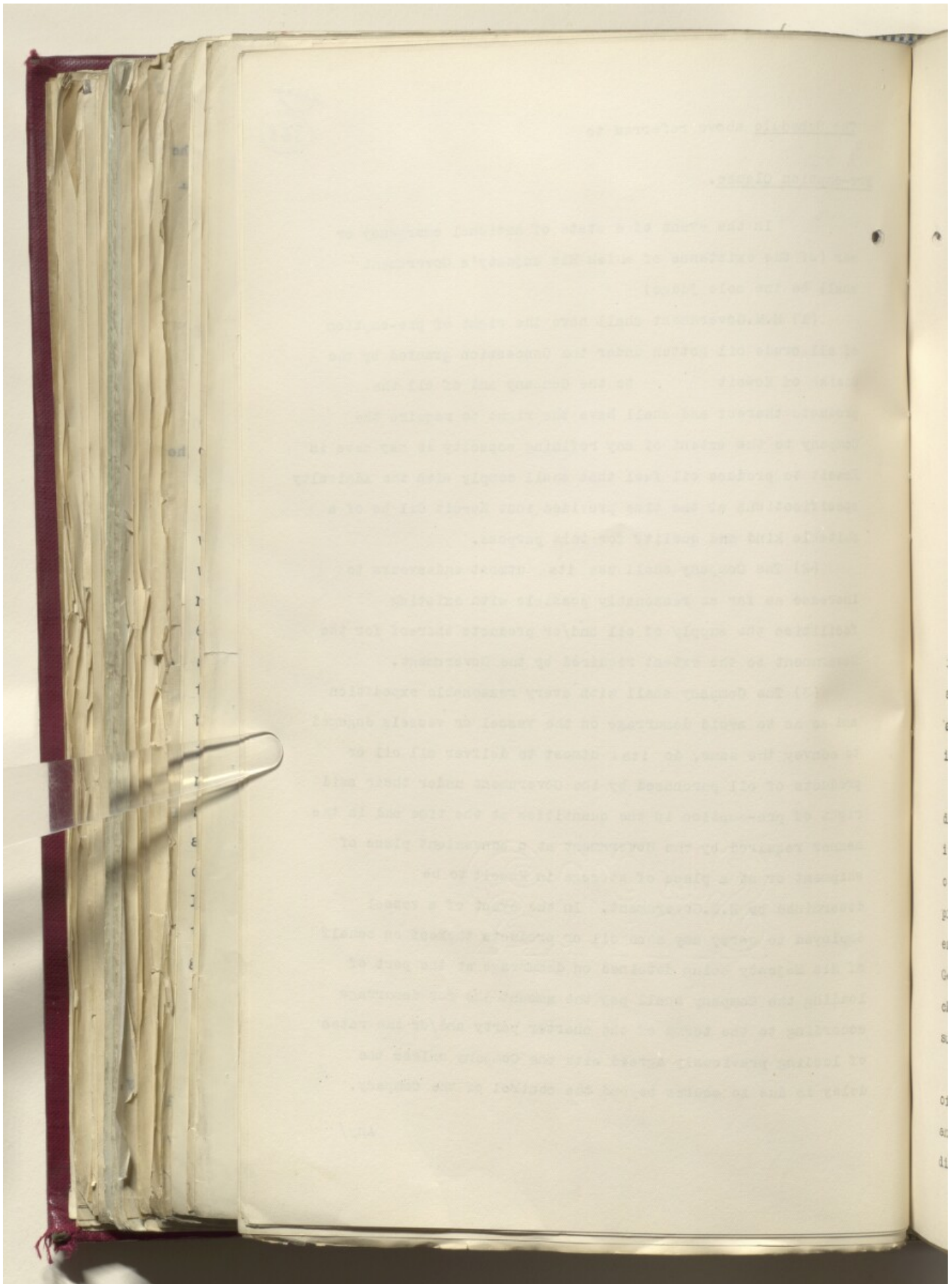
In the event of a state of national emergency or war (of the existence of which His Majesty's Government shall be the sole judge)

(1) H.M. Government shall have the right of pre-emption of all crude oil gotten under the Concession granted by the Sheikh of Koweit to the Company and of all the products thereof and shall have the right to require the Company to the extent of any refining capacity it may have in Koweit to produce oil fuel that shall comply with the Admiralty specifications at the time provided that Koweit Oil be of a suitable kind and quality for this purpose.

(2) The Company shall use its utmost endeavours to increase so far as reasonably possible with existing facilities the supply of oil and/or products thereof for the Government to the extent required by the Government.

(3) The Company shall with every reasonable expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do its utmost to deliver all oil or products of oil purchased by the Government under their said right of pre-emption in the quantities at the time and in the manner required by the Government at a convenient place of shipment or at a place of storage in Koweit to be determined by H.M. Government. In the event of a vessel employed to carry any such oil or products thereof on behalf of His Majesty being detained on demurrage at the port of loading the Company shall pay the amount due for demurrage according to the terms of the charter party and/or the rates of loading previously agreed with the Company unless the delay is due to causes beyond the control of the Company.

Any/





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2. 349

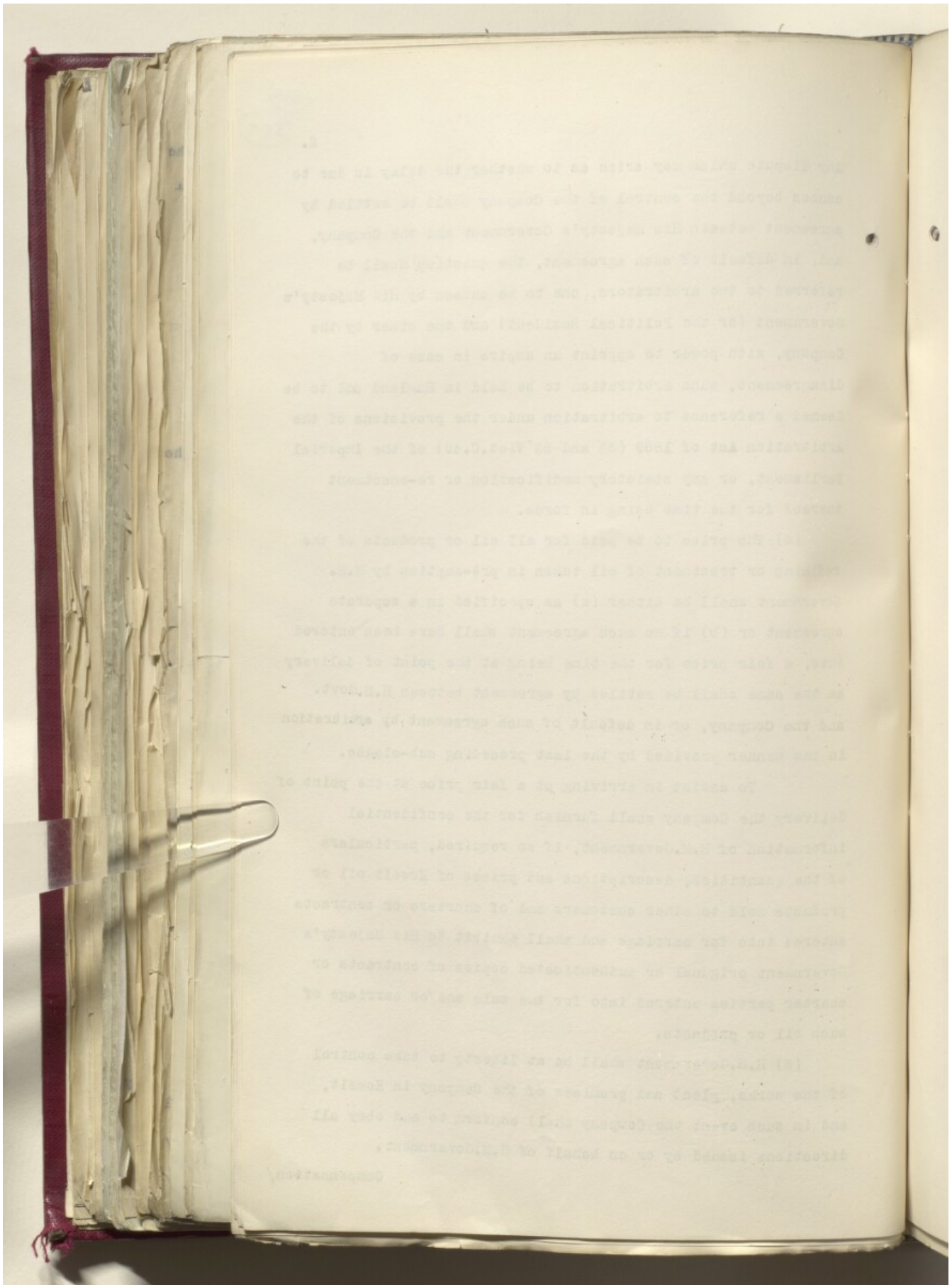
Any dispute which may arise as to whether the delay is due to causes beyond the control of the Company shall be settled by agreement between His Majesty's Government and the Company, and, in default of such agreement, the question shall be referred to two arbitrators, one to be chosen by His Majesty's Government (or the Political Resident) and the other by the Company, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 (52 and 53 Vict.C.49) of the Imperial Parliament, or any statutory modification or re-enactment thereof for the time being in force.

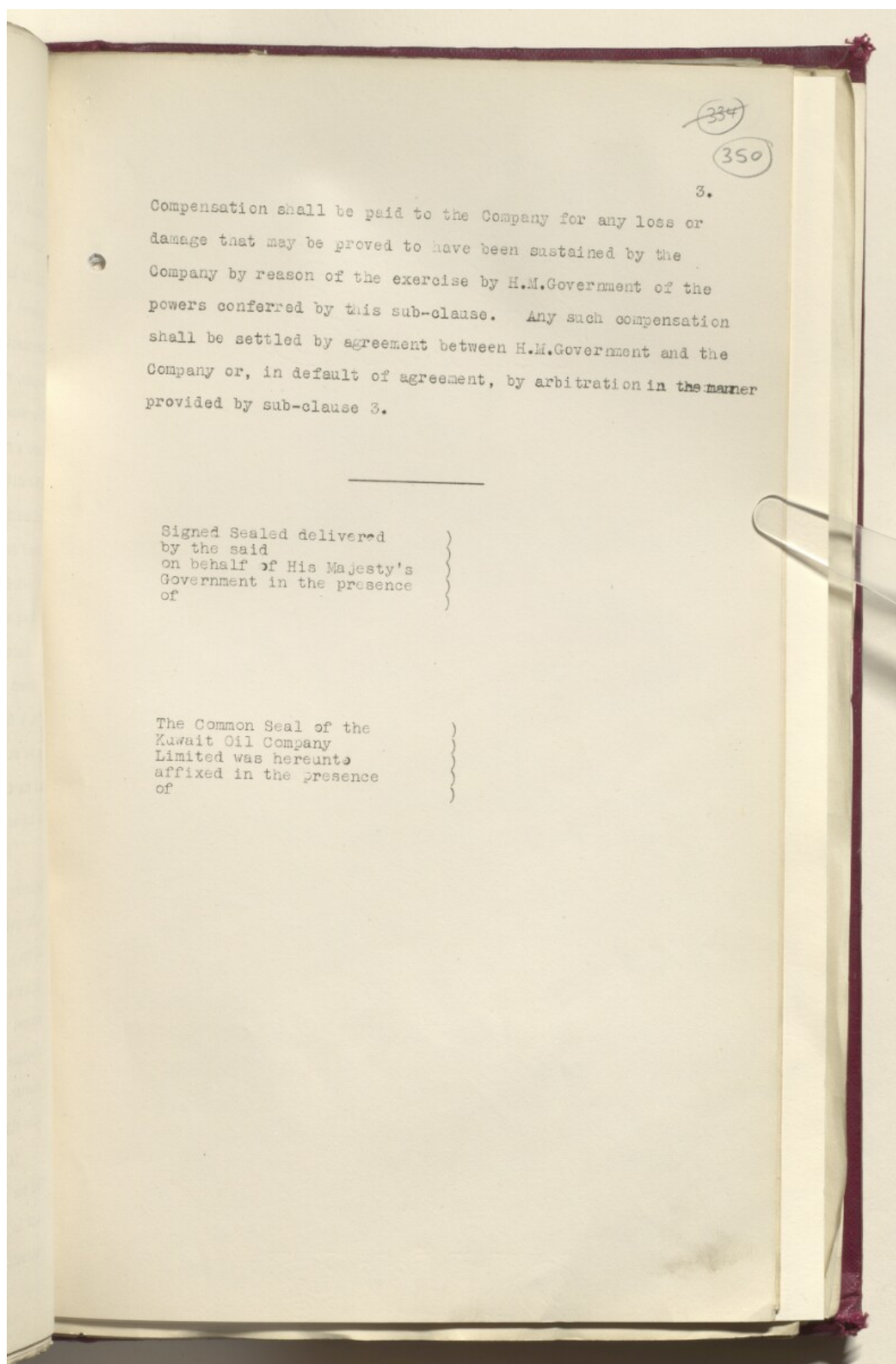
(4) The price to be paid for all oil or products of the refining or treatment of oil taken in pre-emption by H.M. Government shall be either (a) as specified in a separate agreement or (b) if no such agreement shall have been entered into, a fair price for the time being at the point of delivery as the same shall be settled by agreement between H.M.Govt. and the Company, or in default of such agreement by arbitration in the manner provided by the last preceding sub-clause.

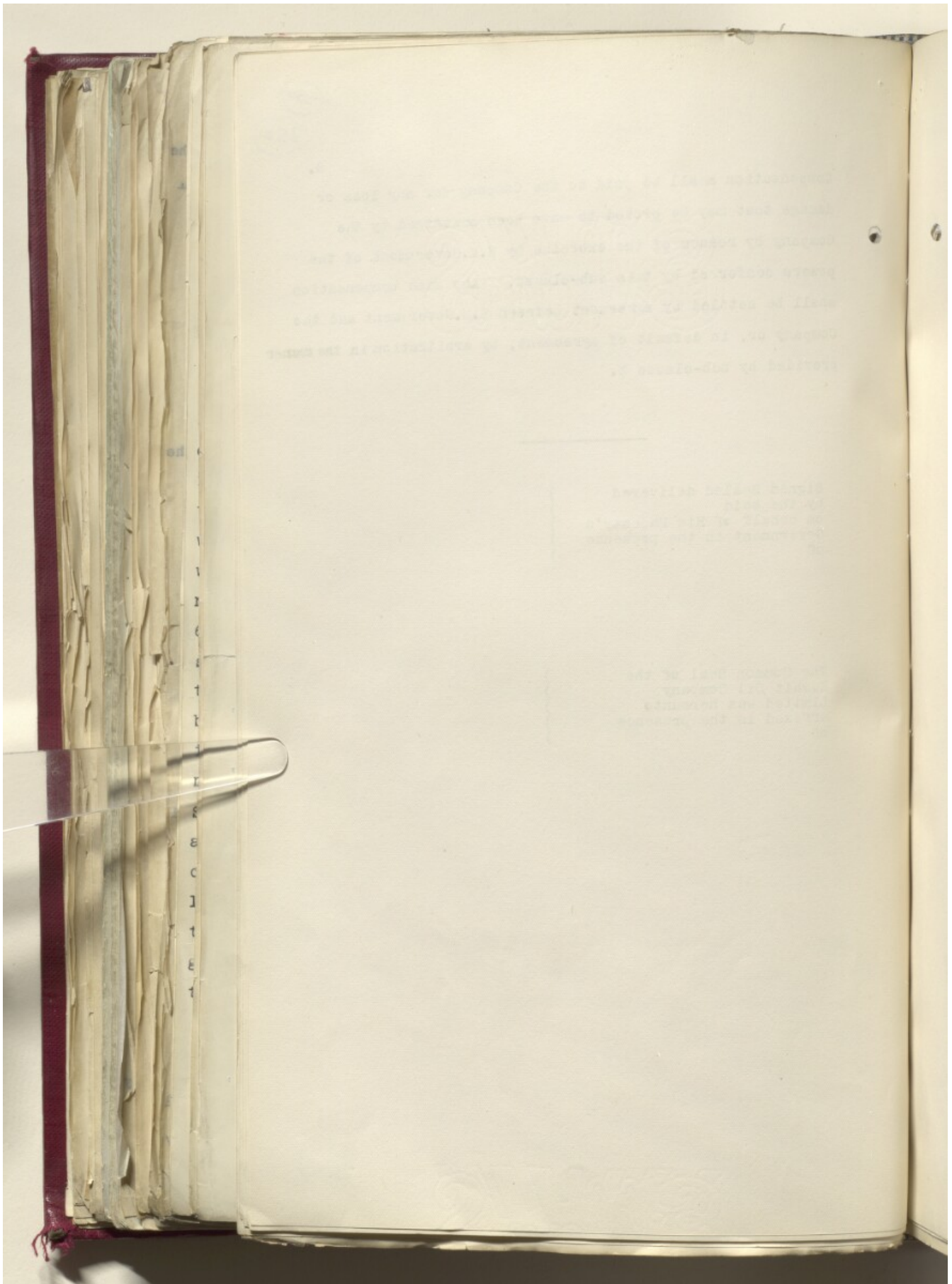
To assist in arriving at a fair price at the point of delivery the Company shall furnish for the confidential information of H.M.Government, if so required, particulars of the quantities, descriptions and prices of Koweit oil or products sold to other customers and of charters or contracts entered into for carriage and shall exhibit to His Majesty's Government original or authenticated copies of contracts or charter parties entered into for the sale and/or carriage of such oil or products.

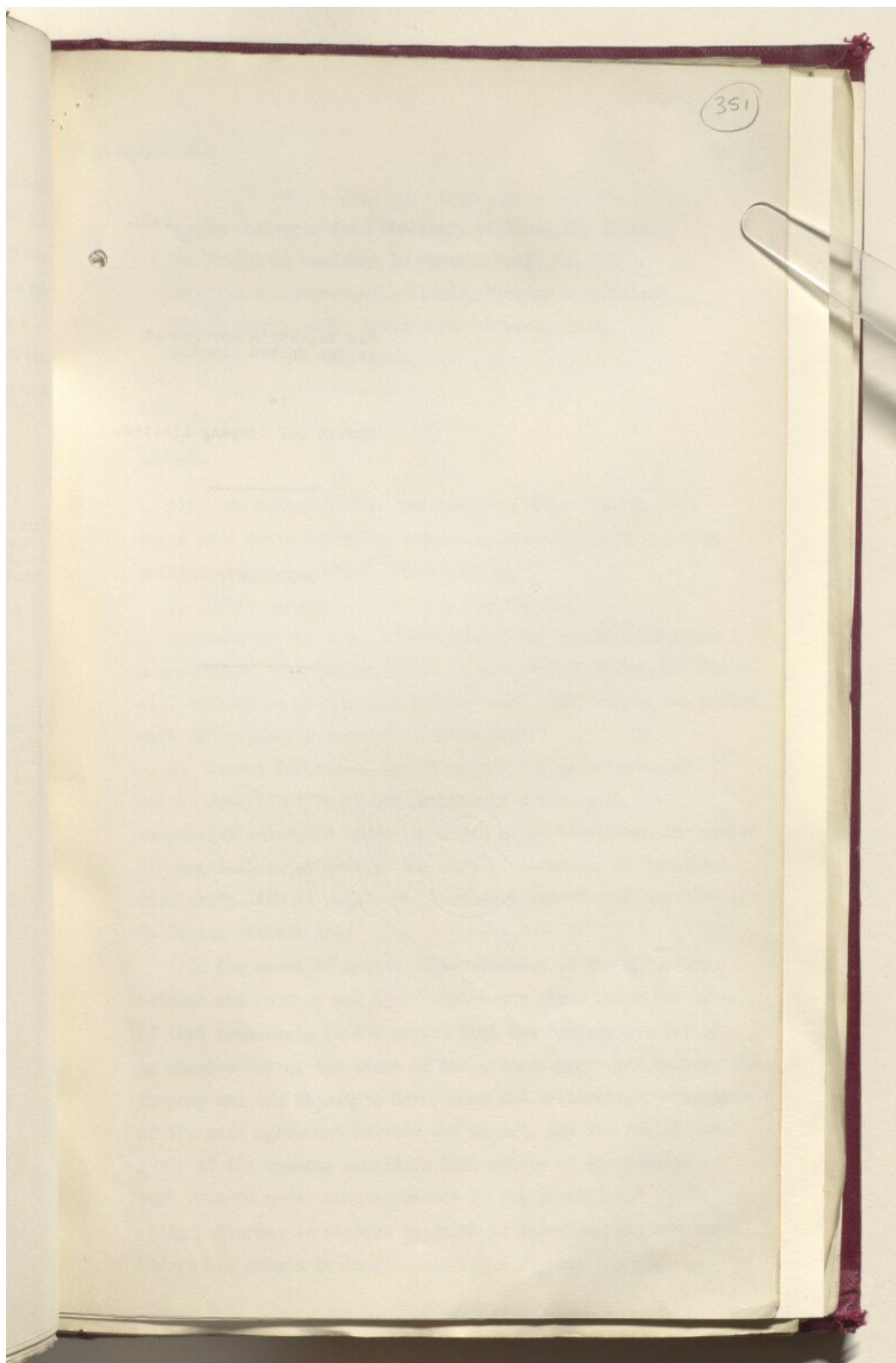
(5) H.M.Government shall be at liberty to take control of the works, plant and premises of the Company in Koweit, and in such event the Company shall conform to and obey all directions issued by or on behalf of H.M.Government.

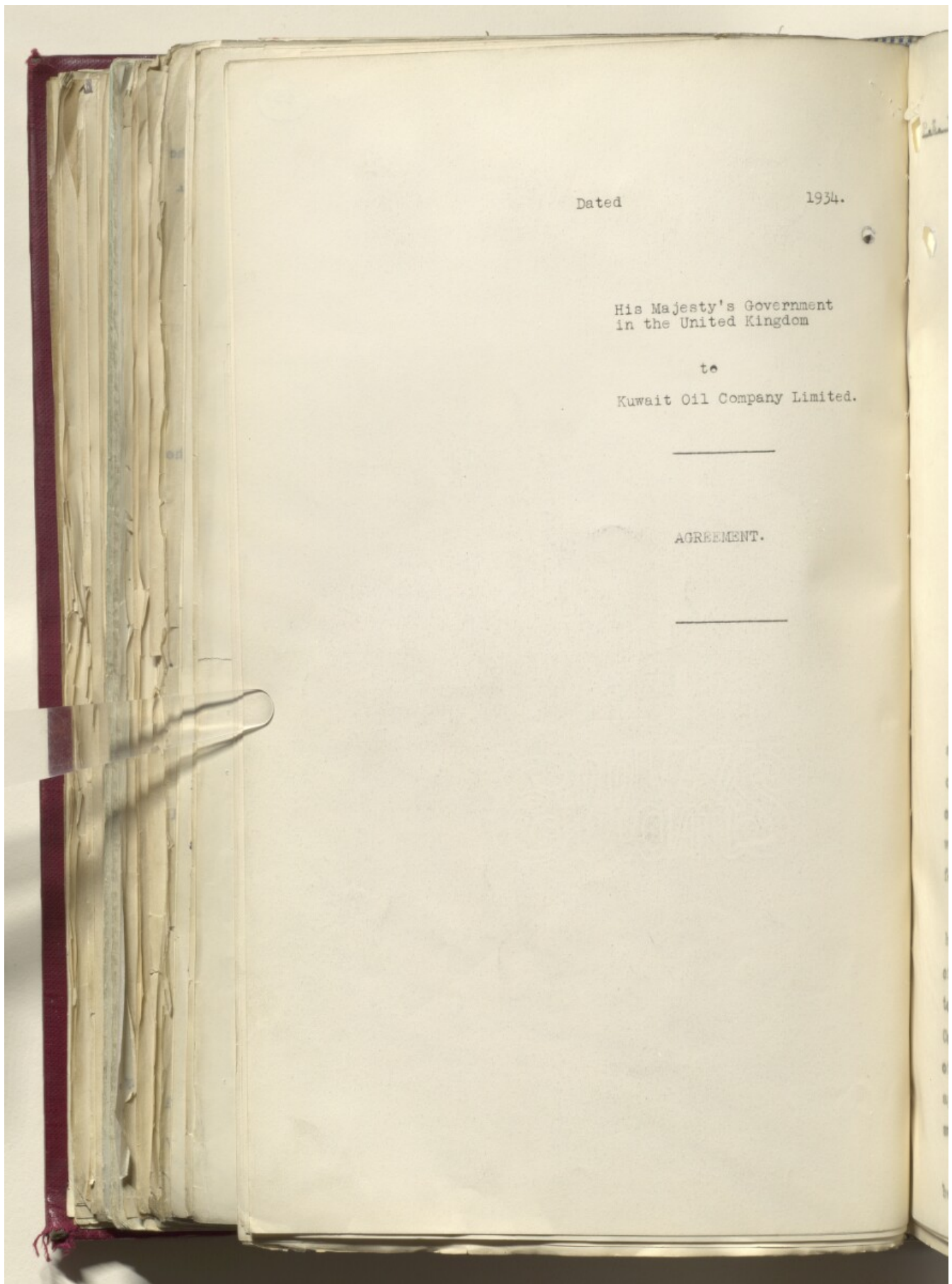
Compensation/











Dated 1934.

His Majesty's Government
in the United Kingdom

to
Kuwait Oil Company Limited.

AGREEMENT.



P.J. 1047/M.

335

352

Cypher telegram from Secretary of State for India
to Political Resident in Persian Gulf, No. 510
repeated to Government of India, Foreign & Political
Department No. 511, dated 23rd February, 1934.

233 words.

XXX

SECRET.

510 My telegram 19th February, No. 460. Koweit Oil.
Terms of a draft agreement ready for execution have now been
settled with Company's representatives.

2. Draft commences with following preamble:-

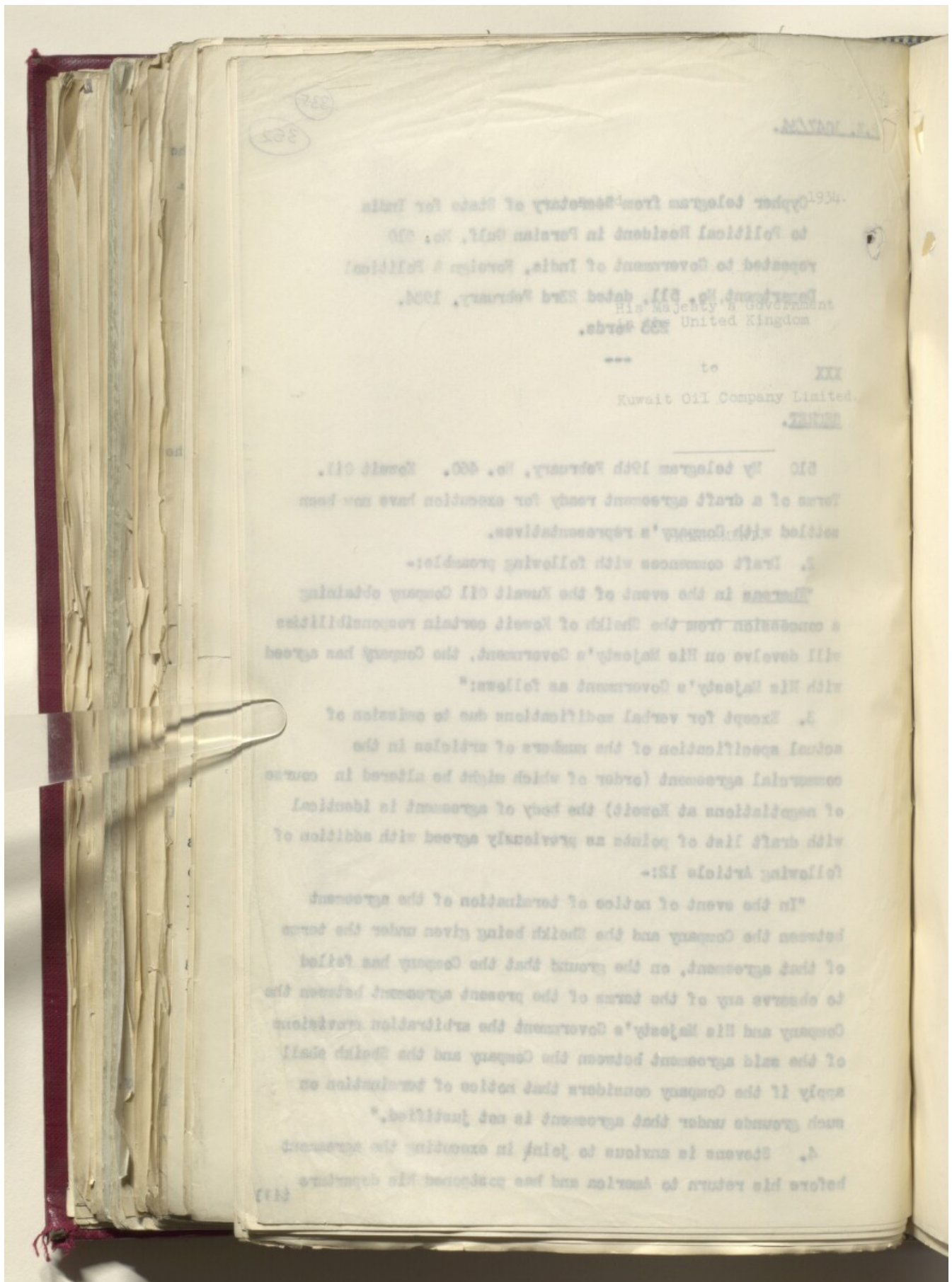
"Whereas in the event of the Kuwait Oil Company obtaining
a concession from the Sheikh of Kuwait certain responsibilities
will devolve on His Majesty's Government, the Company has agreed
with His Majesty's Government as follows:"

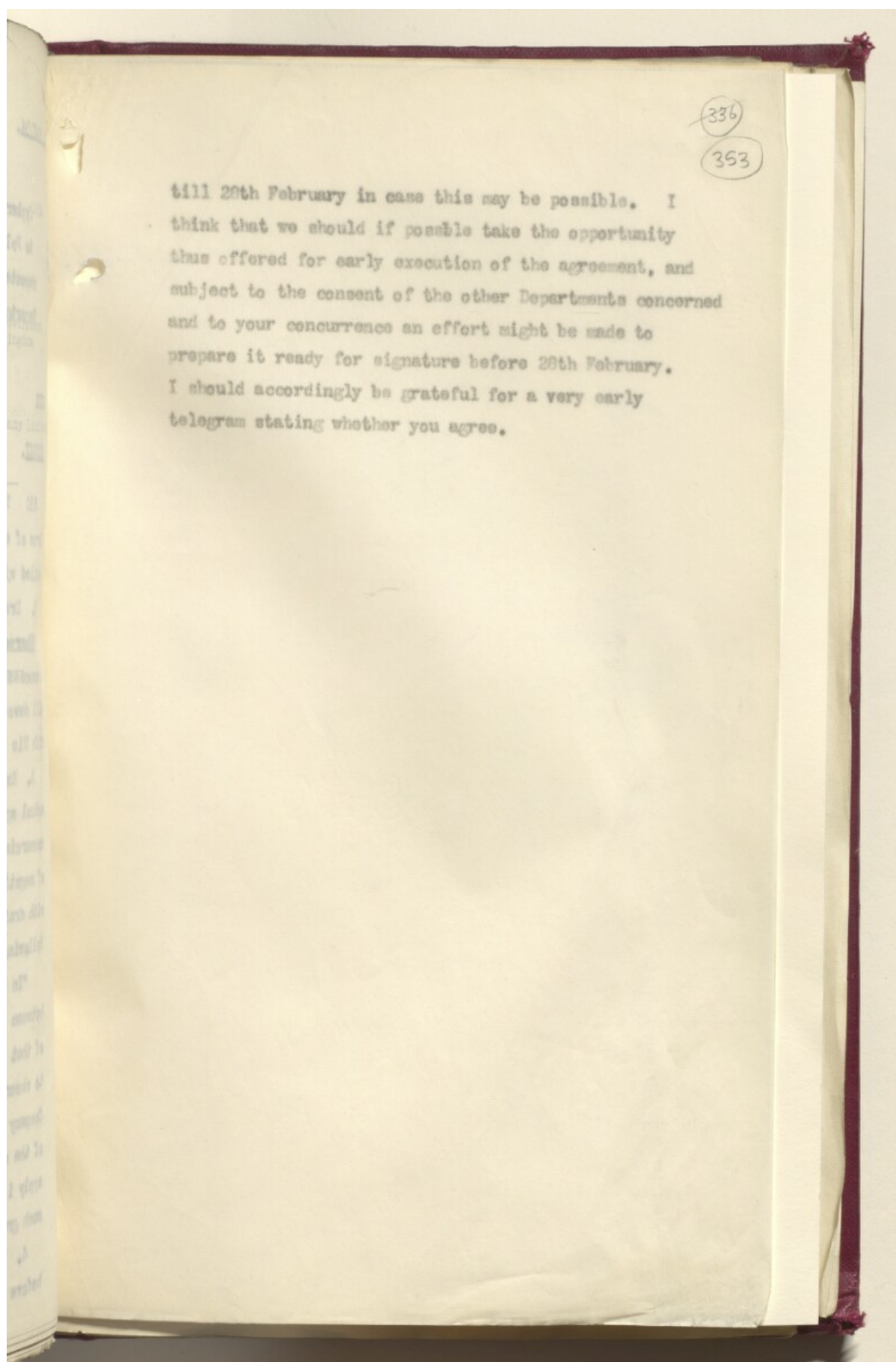
3. Except for verbal modifications due to omission of
actual specification of the numbers of articles in the
commercial agreement (order of which might be altered in course
of negotiations at Koweit) the body of agreement is identical
with draft list of points as previously agreed with addition of
following Article 12:-

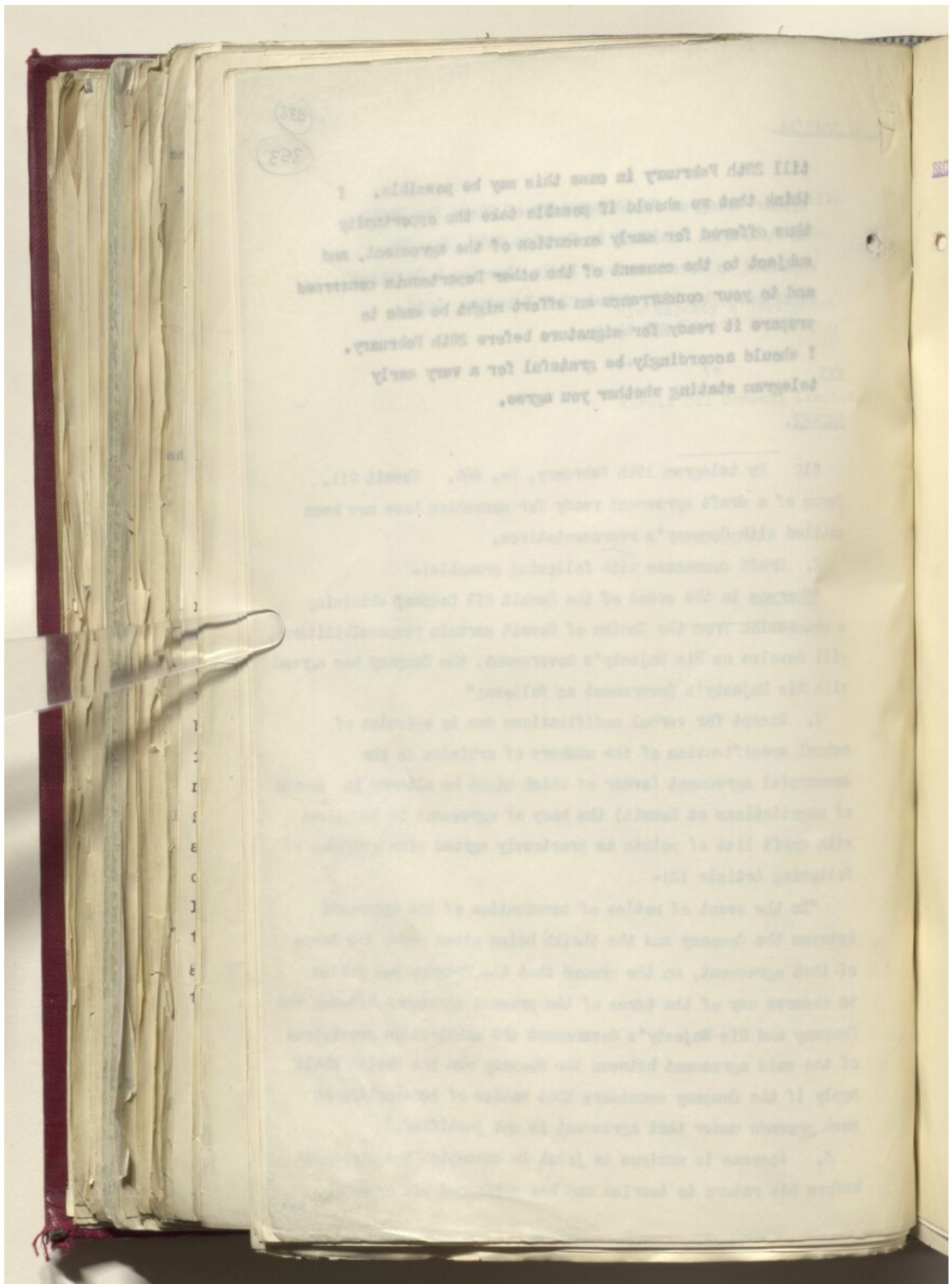
"In the event of notice of termination of the agreement
between the Company and the Sheikh being given under the terms
of that agreement, on the ground that the Company has failed
to observe any of the terms of the present agreement between the
Company and His Majesty's Government the arbitration provisions
of the said agreement between the Company and the Sheikh shall
apply if the Company considers that notice of termination on
such grounds under that agreement is not justified."

4. Stevens is anxious to join in executing the agreement
before his return to America and has postponed his departure

till









P.Z. 976/34.

337

354

SECRET.

CYPHER TELEGRAM FROM SECRETARY OF STATE FOR INDIA
TO POLITICAL RESIDENT IN THE PERSIAN GULF, KOWEIT,
DATED 13th FEBRUARY 1934. XXX

(No. of words: 333 & 331).

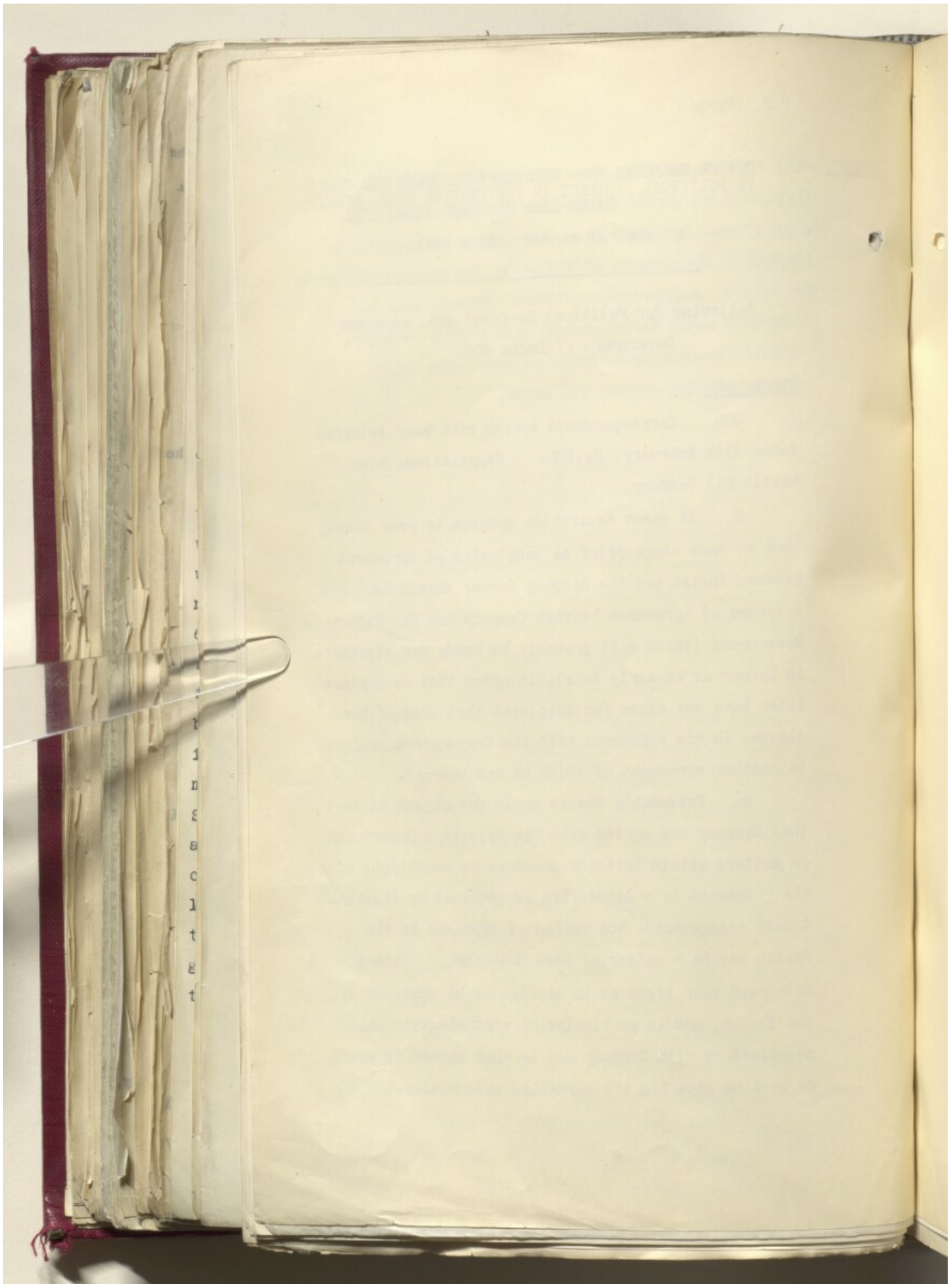
Following for Political Resident 405, repeated
Government of India 406.

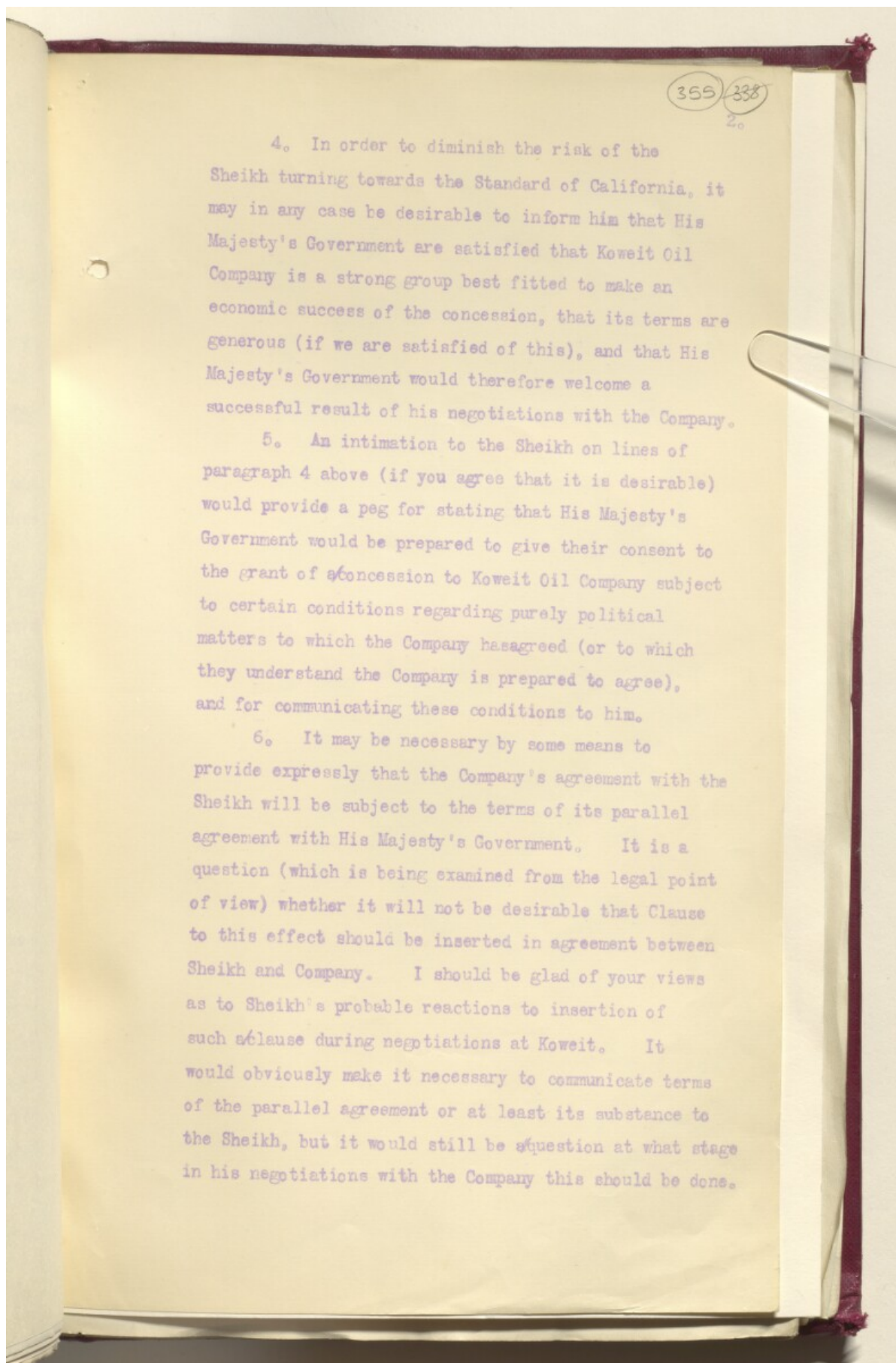
IMPORTANT.

405. Correspondence ending with your telegram
dated 11th February, No. 175. Negotiations with
Koweit Oil Company.

2. It seems desirable, subject to your views,
that at some stage prior to conclusion of agreement
between Sheikh and the Company former should be
informed of agreement between Company and His Majesty's
Government (which will probably be ready for signature
in London at an early date), in order that he may not
later have any cause for complaint that some of the
clauses in his agreement with the Company are subject
to another agreement of which he was unaware.

3. Presumably Sheikh would not object to fact
that Company had agreed with His Majesty's Government
on matters within latter's province as conditions of
their consent to a concession as required by Sheikh's
treaty engagements, but method of approach to the
Sheikh may be a matter of some delicacy. Please
telegraph your views as to tactics to be employed with
the Sheikh, and in particular at what stage in his
negotiations with Company and in what manner it would
be best to give him the suggested information. 4./

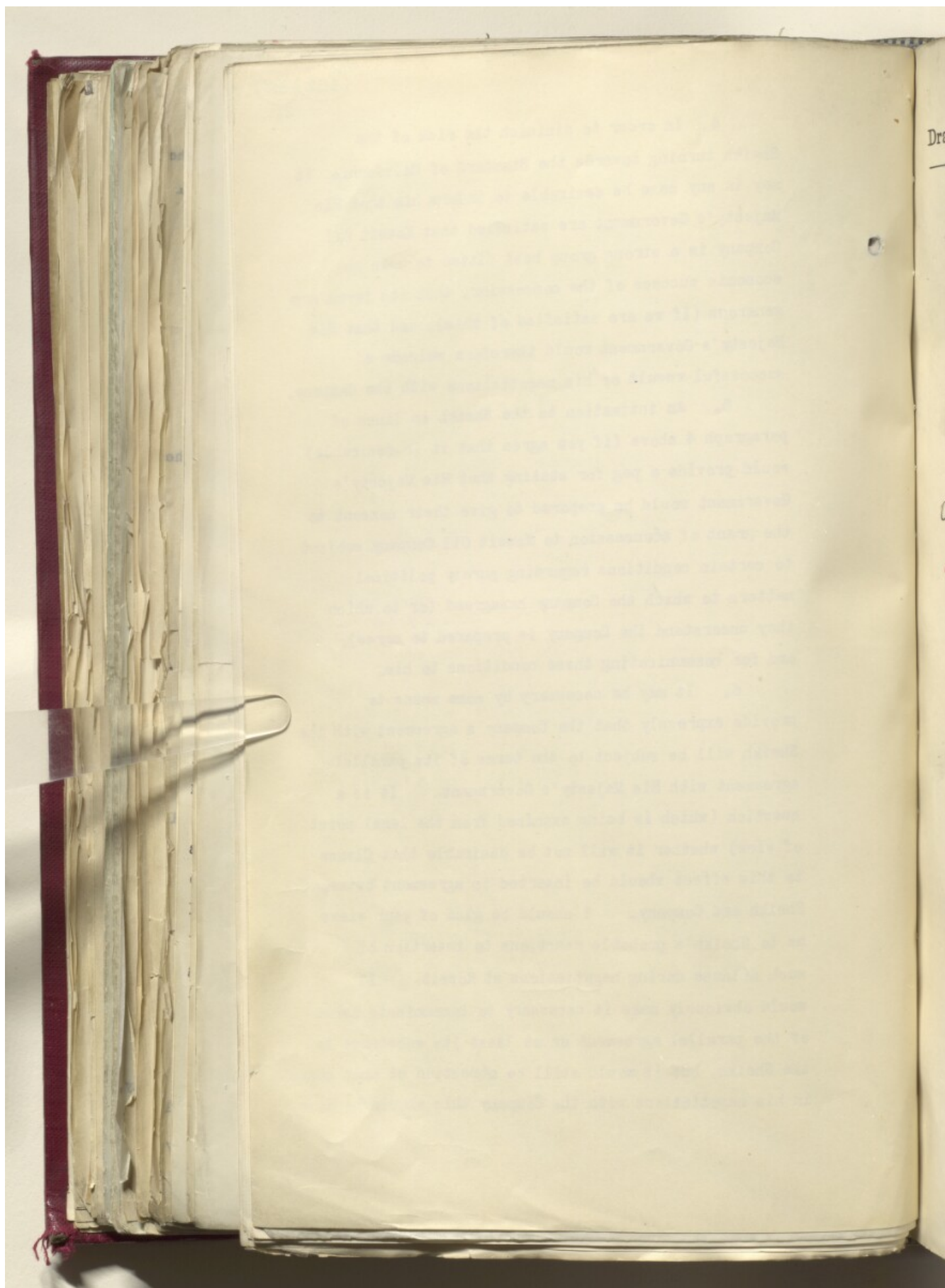


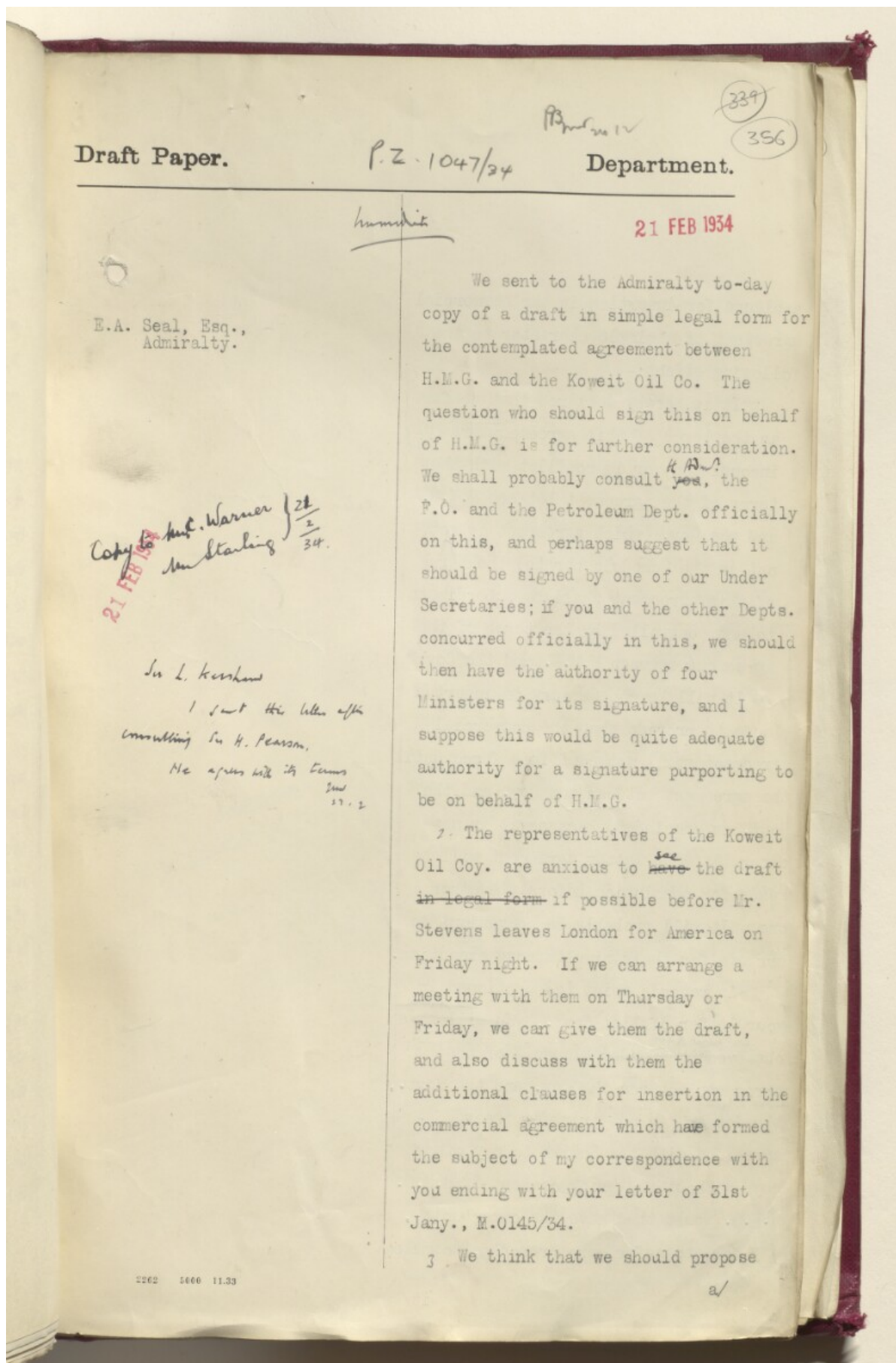


4. In order to diminish the risk of the Sheikh turning towards the Standard of California, it may in any case be desirable to inform him that His Majesty's Government are satisfied that Koweit Oil Company is a strong group best fitted to make an economic success of the concession, that its terms are generous (if we are satisfied of this), and that His Majesty's Government would therefore welcome a successful result of his negotiations with the Company.

5. An intimation to the Sheikh on lines of paragraph 4 above (if you agree that it is desirable) would provide a peg for stating that His Majesty's Government would be prepared to give their consent to the grant of a concession to Koweit Oil Company subject to certain conditions regarding purely political matters to which the Company has agreed (or to which they understand the Company is prepared to agree), and for communicating these conditions to him.

6. It may be necessary by some means to provide expressly that the Company's agreement with the Sheikh will be subject to the terms of its parallel agreement with His Majesty's Government. It is a question (which is being examined from the legal point of view) whether it will not be desirable that Clause to this effect should be inserted in agreement between Sheikh and Company. I should be glad of your views as to Sheikh's probable reactions to insertion of such a clause during negotiations at Koweit. It would obviously make it necessary to communicate terms of the parallel agreement or at least its substance to the Sheikh, but it would still be a question at what stage in his negotiations with the Company this should be done.







a clause for insertion in the commercial agreement of a simple character to the following effect:-

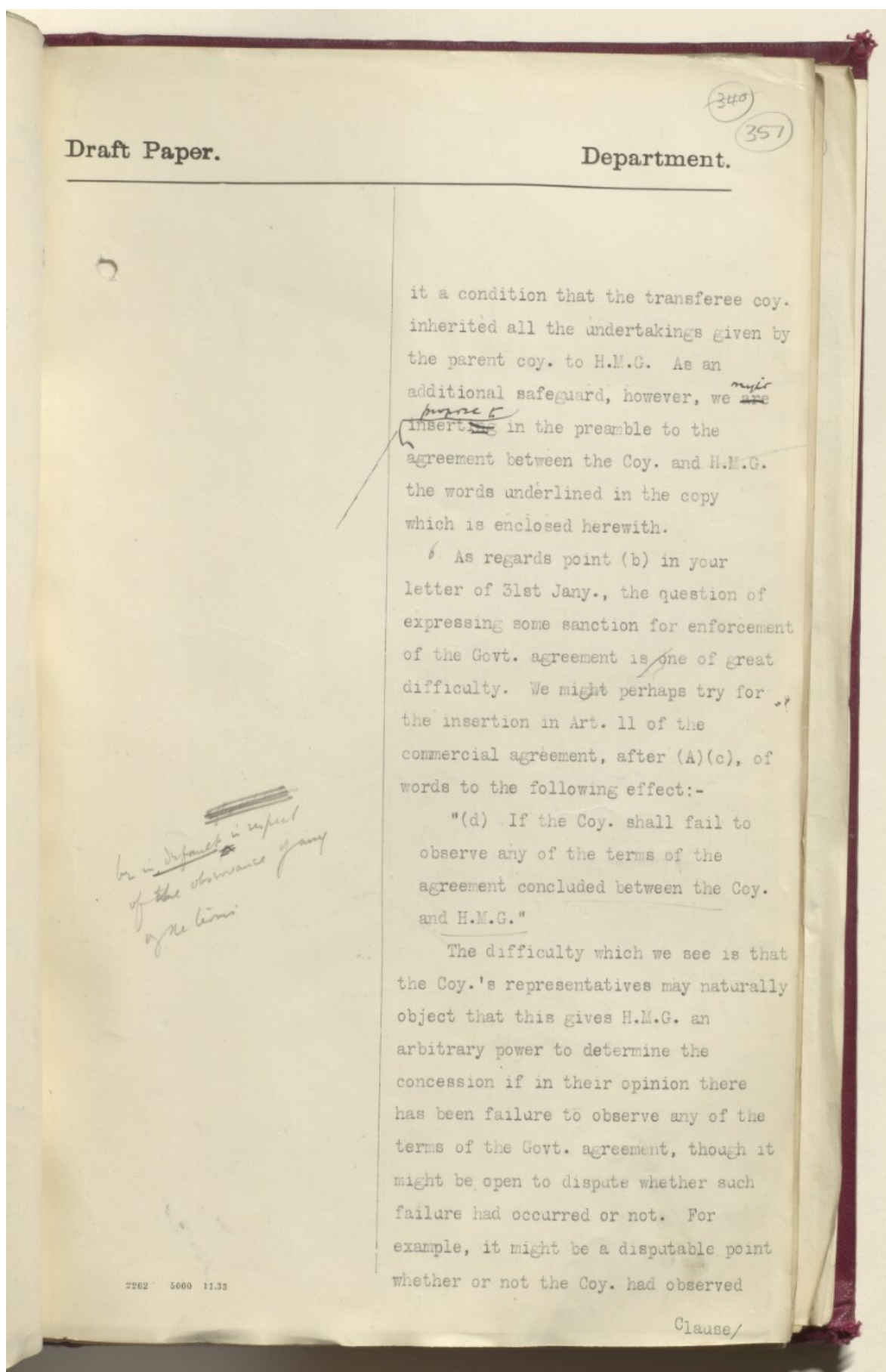
"It is hereby declared that so far as the terms of this agreement are inconsistent or in conflict with the terms of ^{an} the agreement between H.M.G. and the Coy. (which agreement is set out in the Schedule hereto) the terms of this agreement shall be subordinate to and controlled by the terms of the agreement between H.M.G. and the Coy."

¶ It will be unnecessary to insert a clause to provide that the commercial agreement shall not come into force until the agreement between the Coy. and the Govt. is concluded, because it is now clear that the latter agreement will be ready for conclusion before the other one. It will probably be convenient to arrange for their simultaneous execution.

§. As regards point (a) mentioned in your letter of 31st Jany., you ~~will have~~ ^{are now} ~~observed that~~ ^{have now} under Clause 2 of the agreement between the Coy. and the Govt., ^{under which} the former may not transfer their agreement with the Sheikh to any other coy, without the prior consent of H.M.G. H.M.G. would thus have the opportunity, if any such transfer were proposed, to make

it/

Draft



Draft Paper.

Department.

it a condition that the transferee coy. inherited all the undertakings given by the parent coy. to H.M.G. As an additional safeguard, however, we ^{my} ~~are~~ ^{insert} in the preamble to the agreement between the Coy. and H.M.G. the words underlined in the copy which is enclosed herewith.

As regards point (b) in your letter of 31st Jany., the question of expressing some sanction for enforcement of the Govt. agreement is ~~one~~ of great difficulty. We might perhaps try for the insertion in Art. 11 of the commercial agreement, after (A)(c), of words to the following effect:-

"(d) If the Coy. shall fail to observe any of the terms of the agreement concluded between the Coy. and H.M.G."

The difficulty which we see is that the Coy.'s representatives may naturally object that this gives H.M.G. an arbitrary power to determine the concession if in their opinion there has been failure to observe any of the terms of the Govt. agreement, though it might be open to dispute whether such failure had occurred or not. For example, it might be a disputable point whether or not the Coy. had observed

Clause/



Clause 3 of the Govt. agreement, as this might turn on such a fine point as whether the consent of H.M.G. to the employment of a particular foreigner was reasonably or unreasonably withheld. On the other hand, we could, I suppose, argue that the arbitrary power of H.M.G. to secure the determination of the concession would be limited by the arbitration clause (Art. 18) of the commercial agreement. If the Sheikh (under our advice) claimed that the concession should be terminated under the suggested addition to Art. 11, and the Coy. disputed it, the dispute would be arbitrable as a matter of the interpretation of Art. 11; this would raise a question of fact whether or not the Coy. had failed to observe ^(or whichever it was) Clause 3 of the Govt. agreement, and the interpretation of this clause also would in this way come before the arbitrator.

I am sending copy of this letter to Stanley & Warner

Yours sincerely,

(BA.) J. C. WALTON.



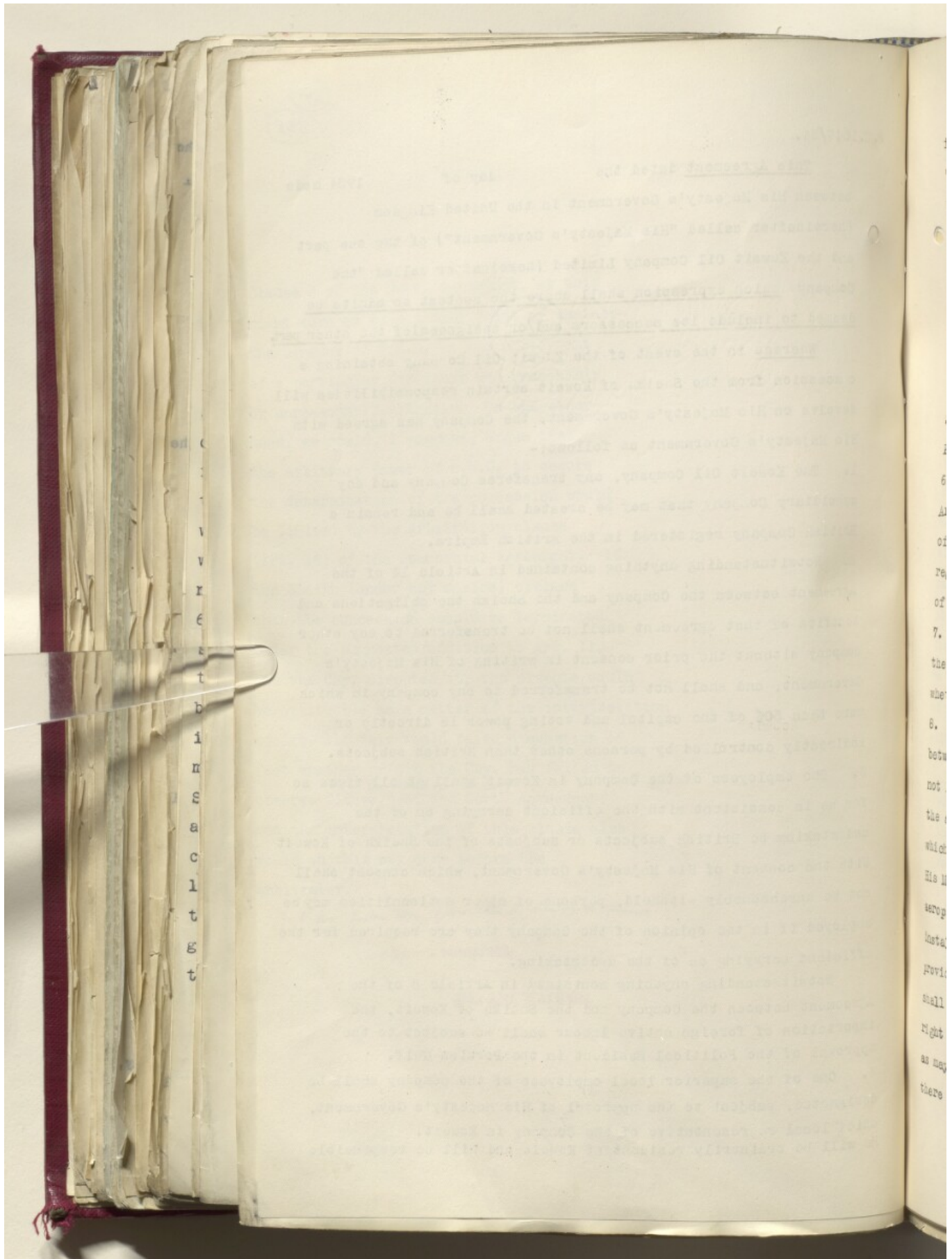
P.Z.1047/34.

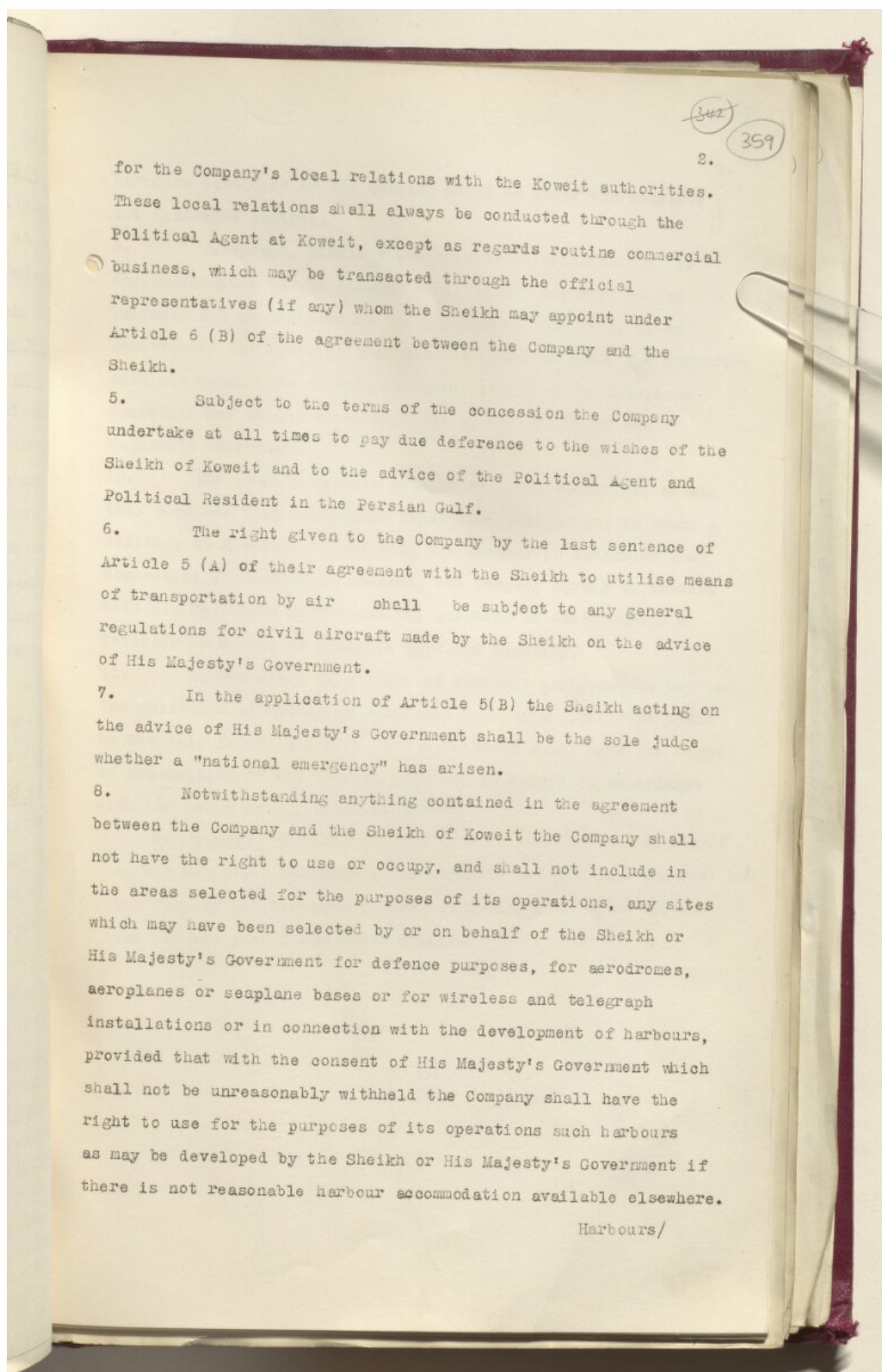
(341)
(358)

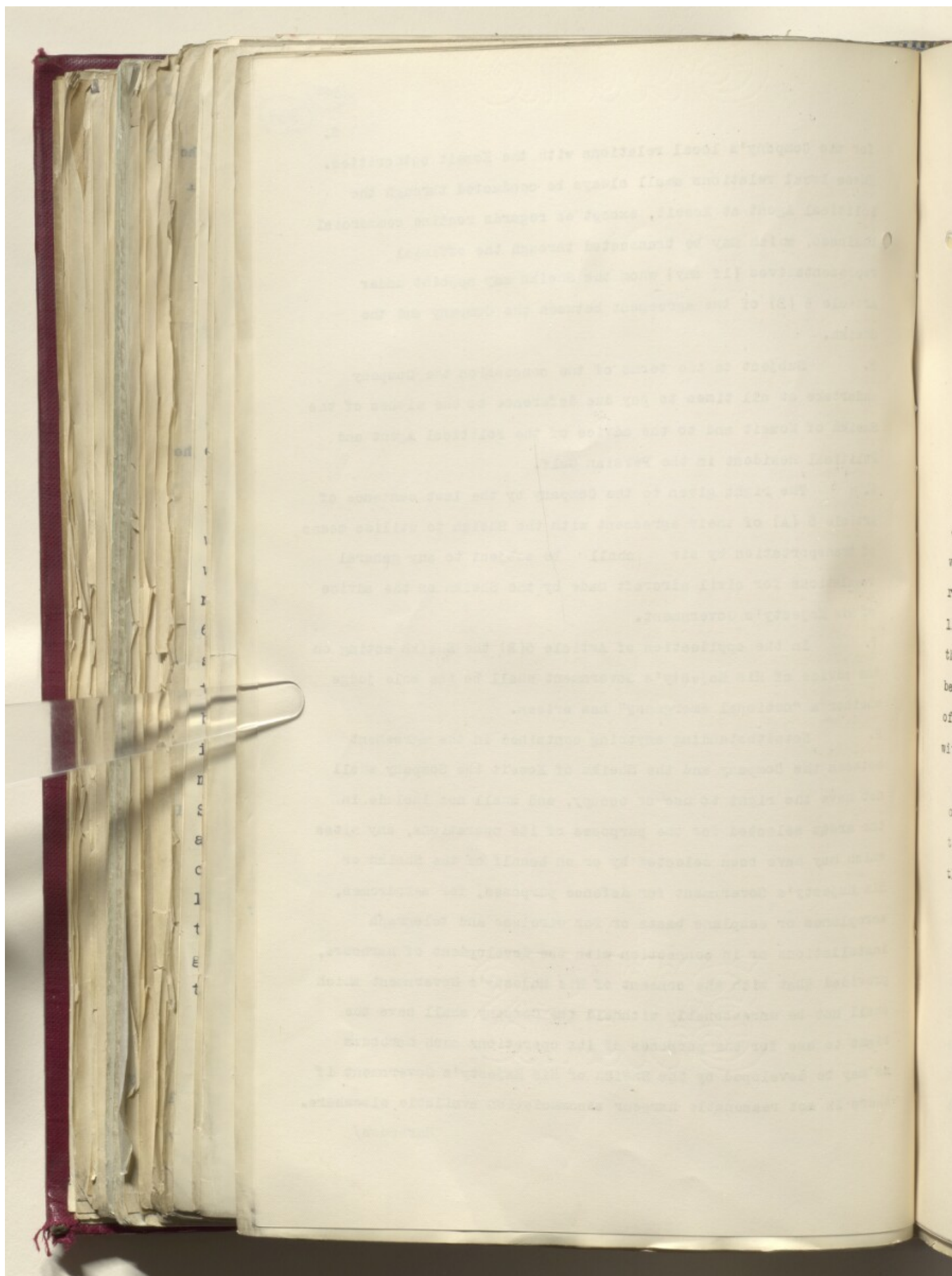
This Agreement dated the day of 1934 made between His Majesty's Government in the United Kingdom (hereinafter called "His Majesty's Government") of the one part and the Kuwait Oil Company Limited (hereinafter called "the Company" which expression shall where the context so admits be deemed to include its successors and/or assignees) of the other part.

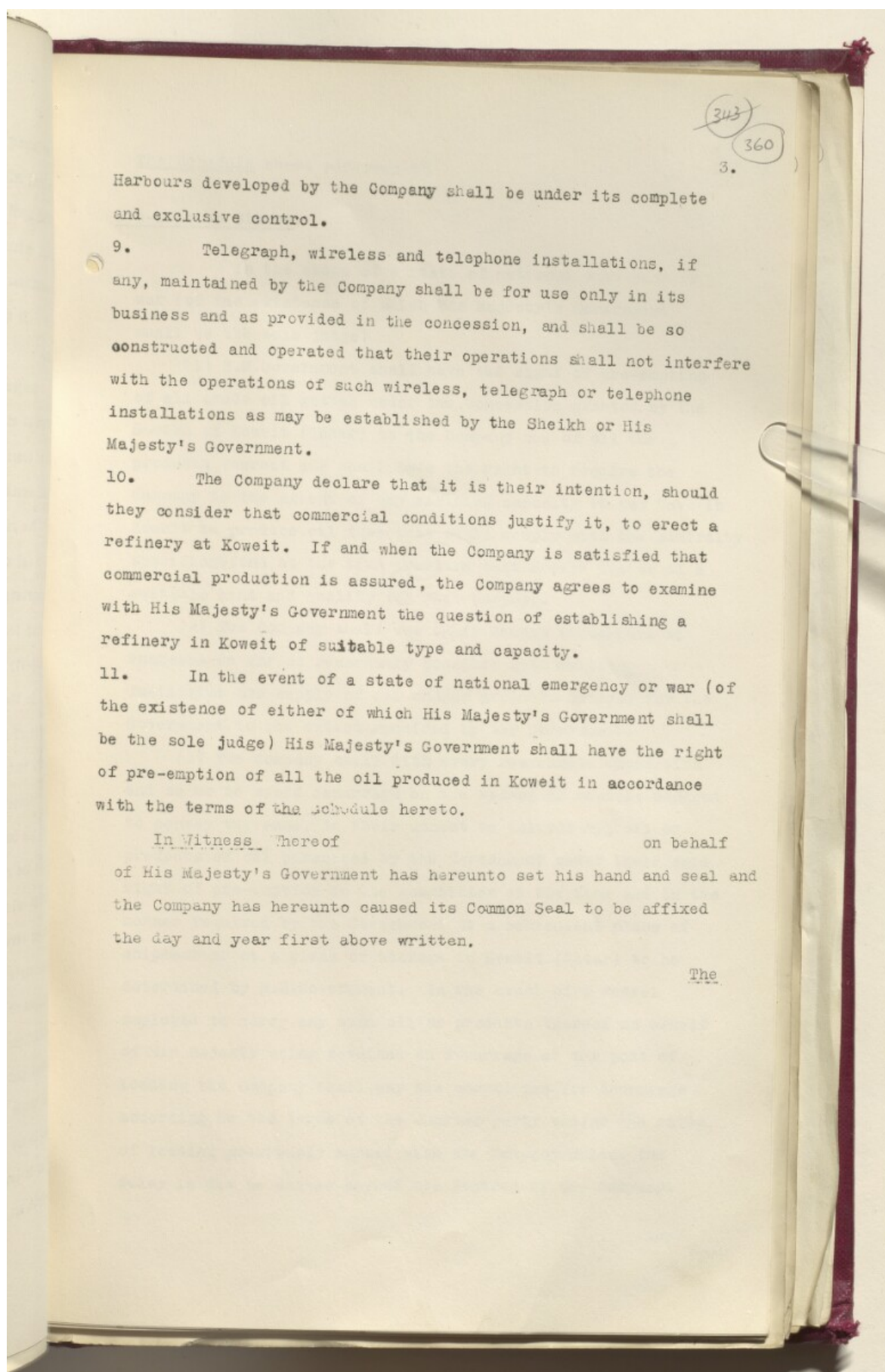
Whereas in the event of the Kuwait Oil Company obtaining a concession from the Sheikh of Koweit certain responsibilities will devolve on His Majesty's Government, the Company has agreed with His Majesty's Government as follows:-

1. The Koweit Oil Company, any transferee Company and any subsidiary Company that may be created shall be and remain a British Company registered in the British Empire.
2. Notwithstanding anything contained in Article 14 of the Agreement between the Company and the Sheikh the obligations and benefits of that agreement shall not be transferred to any other company without the prior consent in writing of His Majesty's Government, and shall not be transferred to any company in which more than 50% of the capital and voting power is directly or indirectly controlled by persons other than British subjects.
3. The employees of the Company in Koweit shall at all times so far as is consistent with the efficient carrying on of the undertaking be British subjects or subjects of the Sheikh of Koweit. With the consent of His Majesty's Government, which consent shall not be unreasonably withheld, persons of other nationalities may be employed if in the opinion of the Company they are required for the efficient carrying on of the undertaking.
- Notwithstanding anything contained in Article 8 of the Agreement between the Company and the Sheikh of Koweit, the importation of foreign native labour shall be subject to the approval of the Political Resident in the Persian Gulf.
4. One of the superior local employees of the Company shall be designated, subject to the approval of His Majesty's Government, chief local representative of the Company in Koweit. He will be ordinarily resident at Koweit and will be responsible









Harbours developed by the Company shall be under its complete and exclusive control.

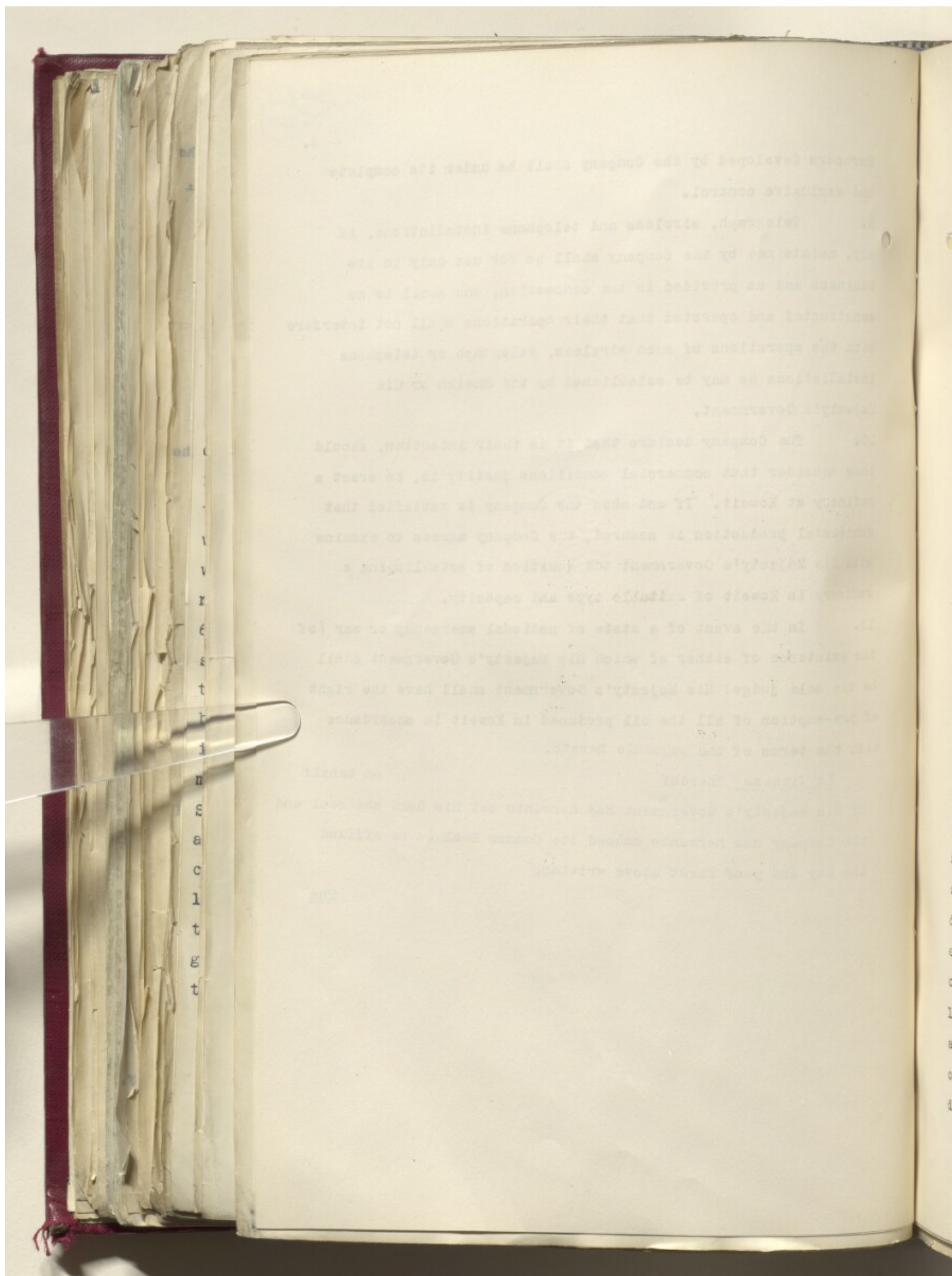
9. Telegraph, wireless and telephone installations, if any, maintained by the Company shall be for use only in its business and as provided in the concession, and shall be so constructed and operated that their operations shall not interfere with the operations of such wireless, telegraph or telephone installations as may be established by the Sheikh or His Majesty's Government.

10. The Company declare that it is their intention, should they consider that commercial conditions justify it, to erect a refinery at Koweit. If and when the Company is satisfied that commercial production is assured, the Company agrees to examine with His Majesty's Government the question of establishing a refinery in Koweit of suitable type and capacity.

11. In the event of a state of national emergency or war (of the existence of either of which His Majesty's Government shall be the sole judge) His Majesty's Government shall have the right of pre-emption of all the oil produced in Koweit in accordance with the terms of the schedule hereto.

In Witness Whereof
of His Majesty's Government has hereunto set his hand and seal and
the Company has hereunto caused its Common Seal to be affixed
the day and year first above written.

The





The Schedule above referred to

Pre-emption Clause.

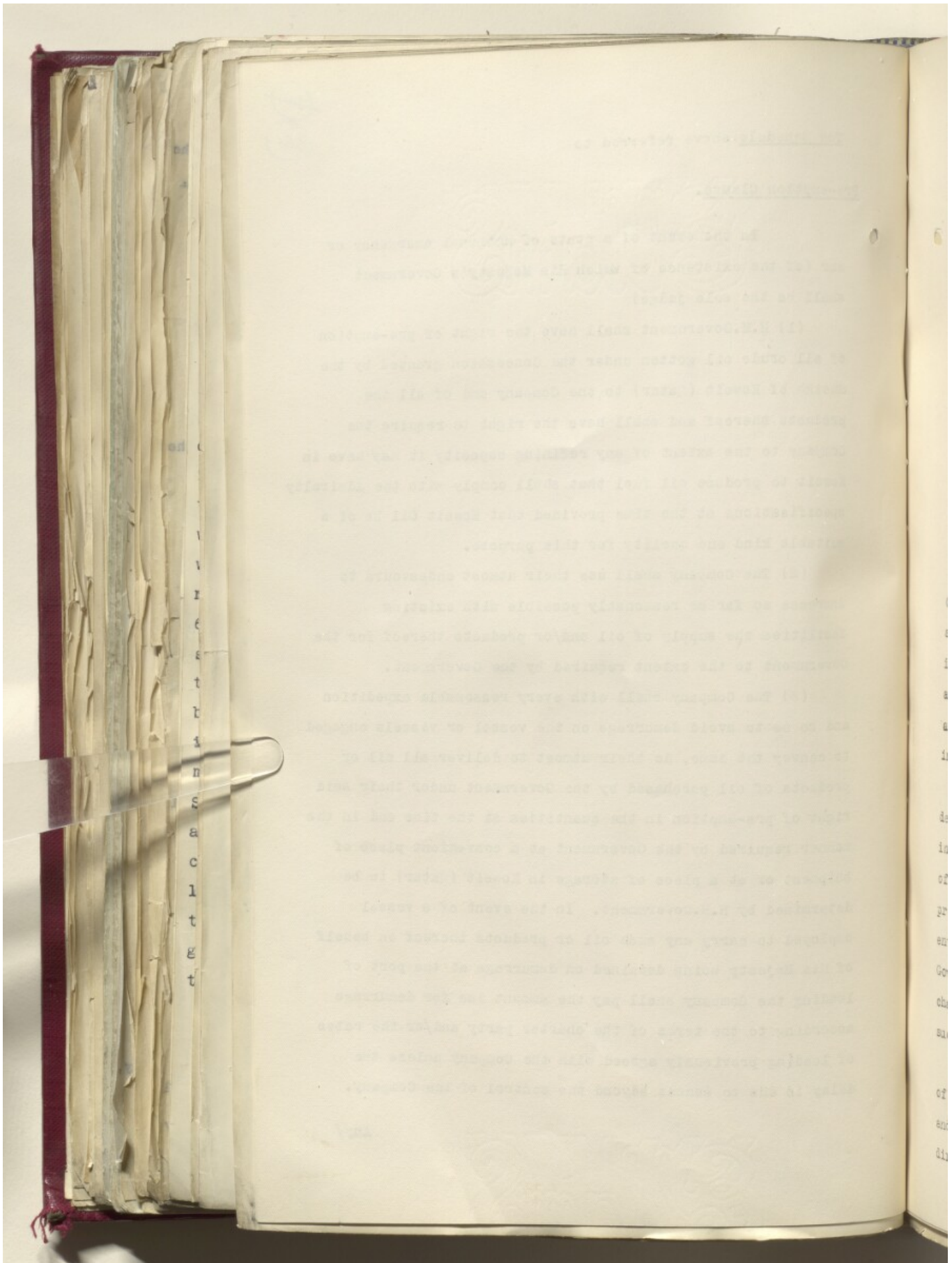
In the event of a state of national emergency or war (of the existence of which His Majesty's Government shall be the sole judge)

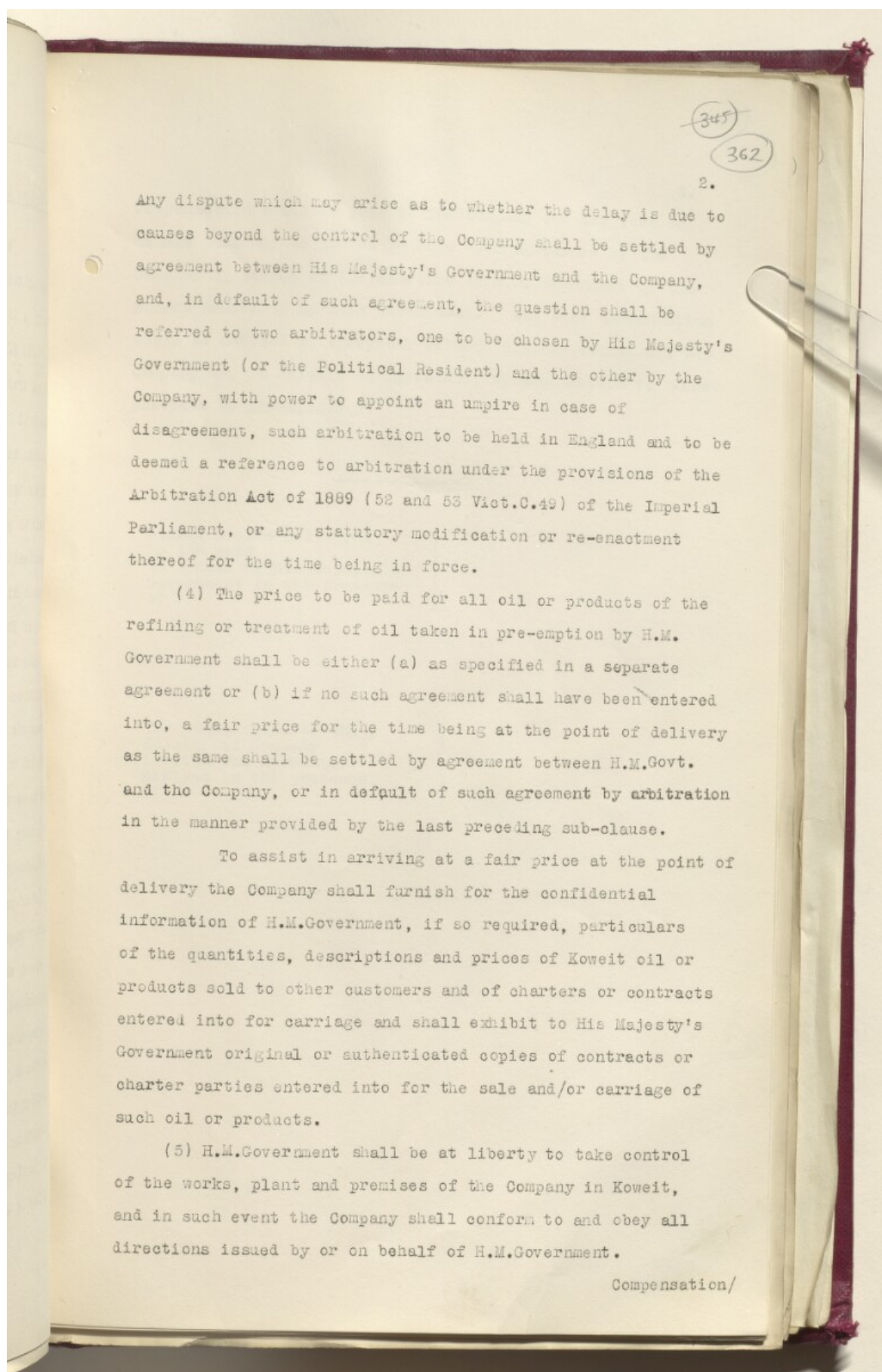
(1) H.M. Government shall have the right of pre-emption of all crude oil gotten under the Concession granted by the Sheikh of Koweit (Qatar) to the Company and of all the products thereof and shall have the right to require the Company to the extent of any refining capacity it may have in Koweit to produce oil fuel that shall comply with the Admiralty specifications at the time provided that Koweit Oil be of a suitable kind and quality for this purpose.

(2) The Company shall use their utmost endeavours to increase so far as reasonably possible with existing facilities the supply of oil and/or products thereof for the Government to the extent required by the Government.

(3) The Company shall with every reasonable expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do their utmost to deliver all oil or products of oil purchased by the Government under their said right of pre-emption in the quantities at the time and in the manner required by the Government at a convenient place of shipment or at a place of storage in Koweit (Qatar) to be determined by H.M. Government. In the event of a vessel employed to carry any such oil or products thereof on behalf of His Majesty being detained on demurrage at the port of loading the Company shall pay the amount due for demurrage according to the terms of the charter party and/or the rates of loading previously agreed with the Company unless the delay is due to causes beyond the control of the Company.

Any/





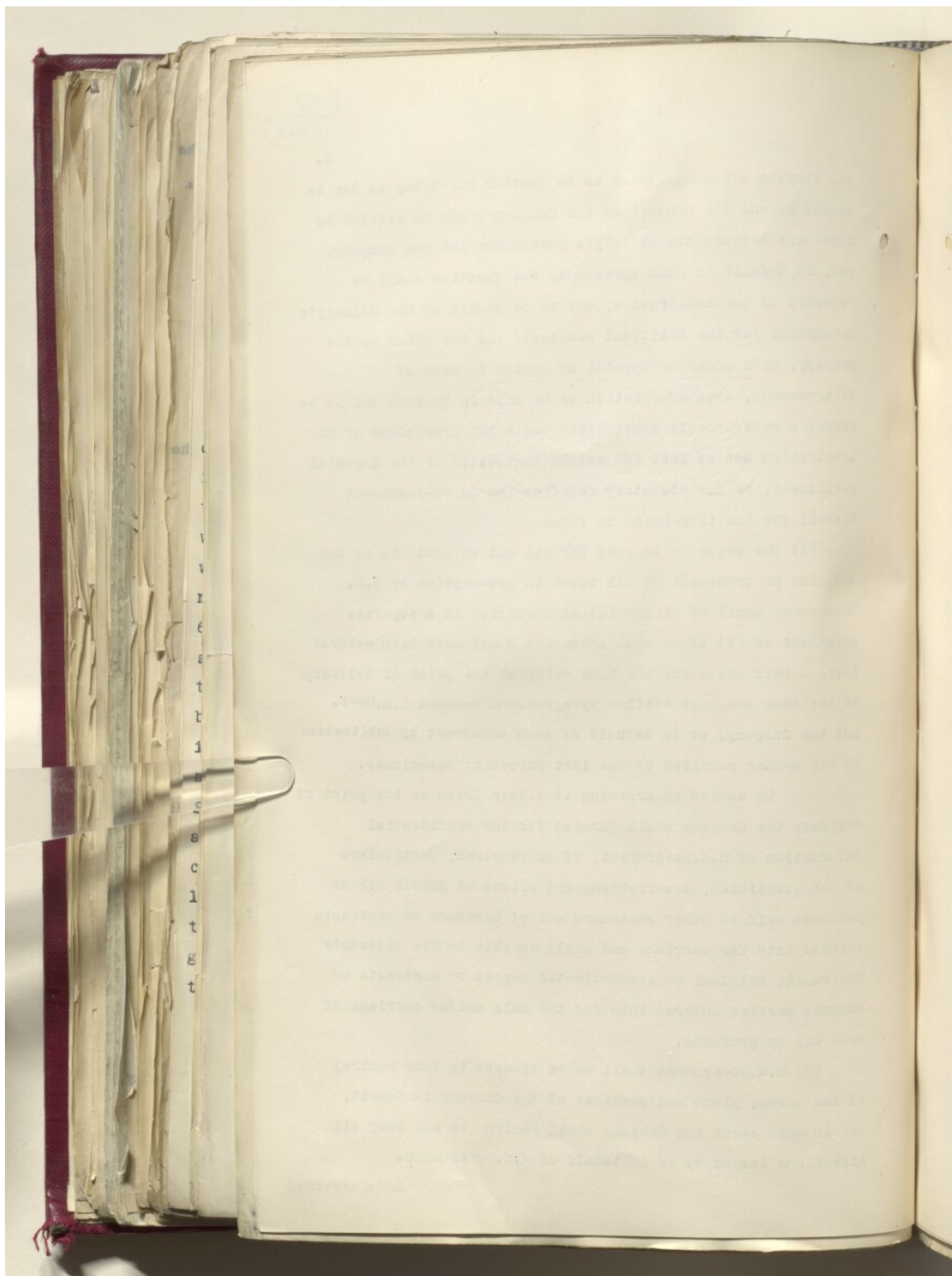
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2.
Any dispute which may arise as to whether the delay is due to causes beyond the control of the Company shall be settled by agreement between His Majesty's Government and the Company, and, in default of such agreement, the question shall be referred to two arbitrators, one to be chosen by His Majesty's Government (or the Political Resident) and the other by the Company, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 (52 and 53 Vict.C.49) of the Imperial Parliament, or any statutory modification or re-enactment thereof for the time being in force.

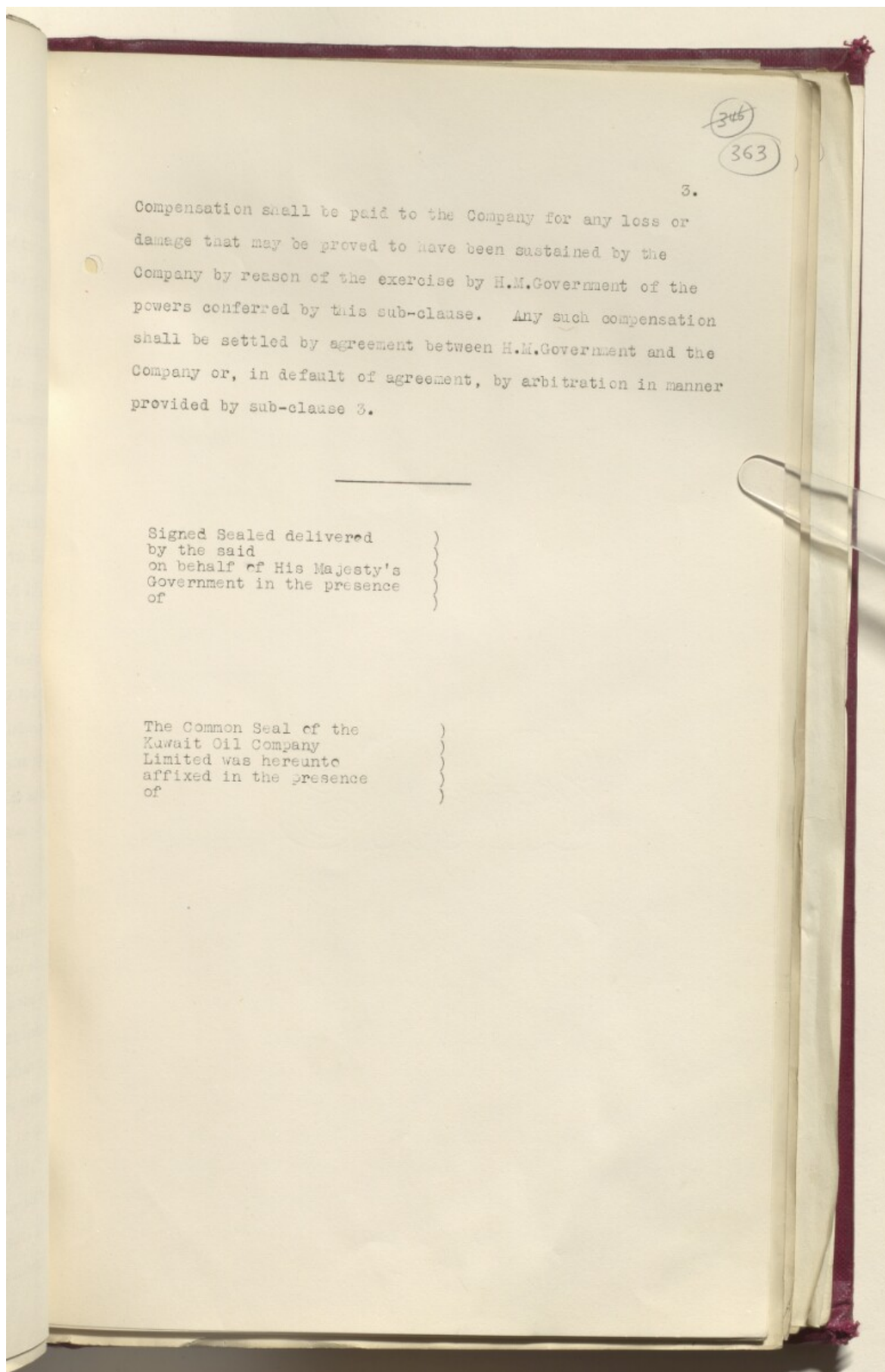
(4) The price to be paid for all oil or products of the refining or treatment of oil taken in pre-emption by H.M. Government shall be either (a) as specified in a separate agreement or (b) if no such agreement shall have been entered into, a fair price for the time being at the point of delivery as the same shall be settled by agreement between H.M.Govt. and the Company, or in default of such agreement by arbitration in the manner provided by the last preceding sub-clause.

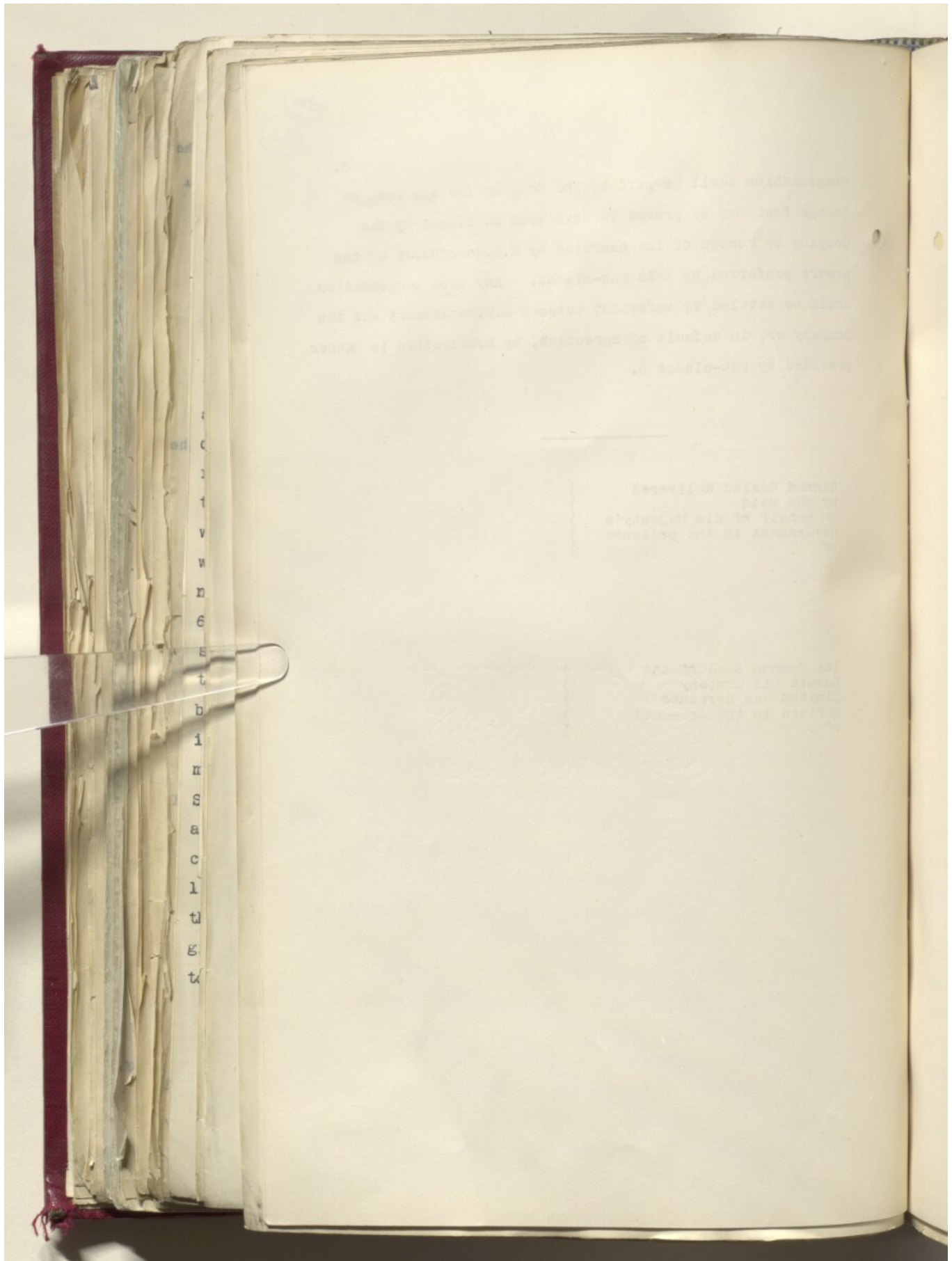
To assist in arriving at a fair price at the point of delivery the Company shall furnish for the confidential information of H.M.Government, if so required, particulars of the quantities, descriptions and prices of Koweit oil or products sold to other customers and of charters or contracts entered into for carriage and shall exhibit to His Majesty's Government original or authenticated copies of contracts or charter parties entered into for the sale and/or carriage of such oil or products.

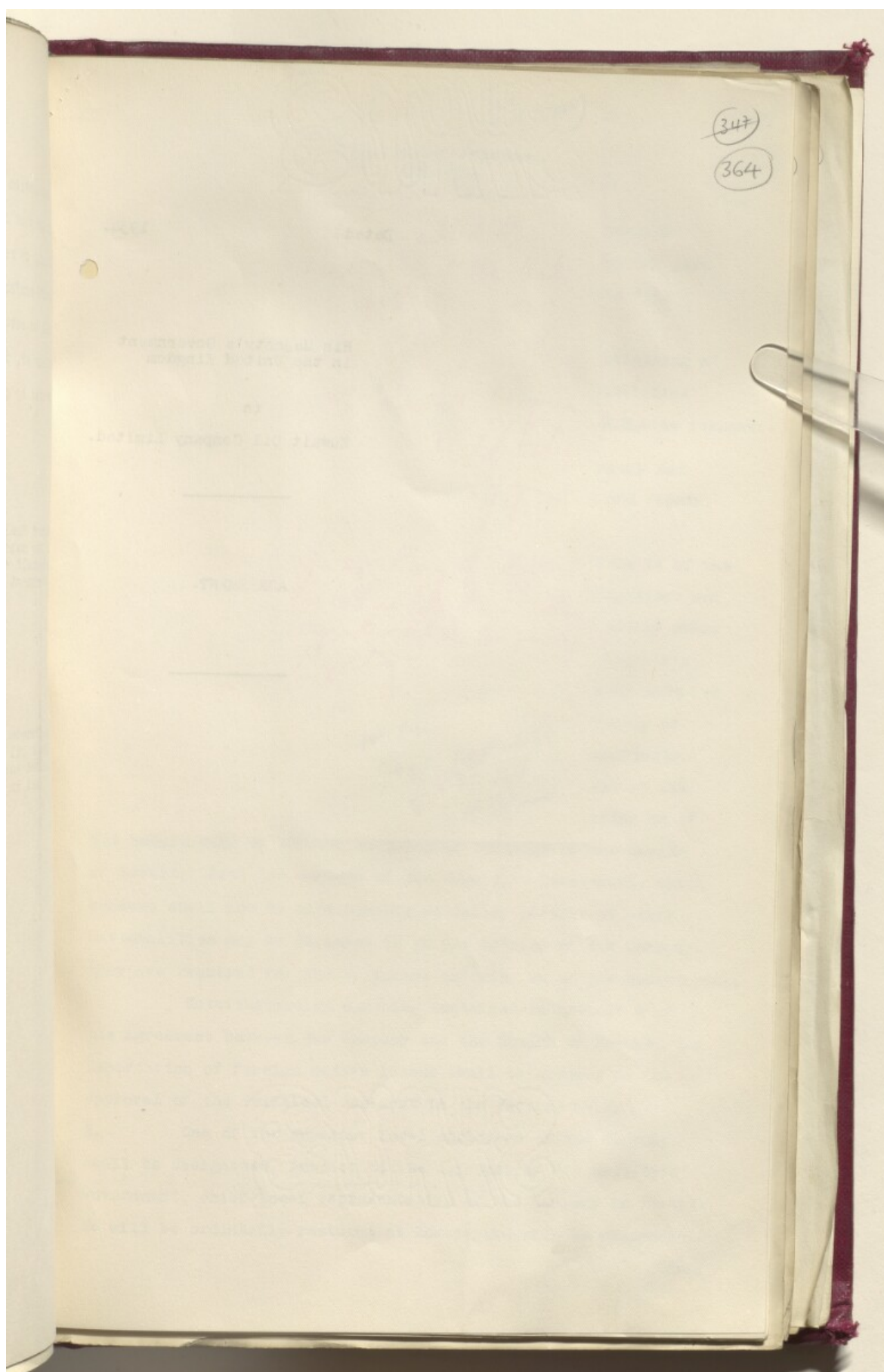
(5) H.M.Government shall be at liberty to take control of the works, plant and premises of the Company in Koweit, and in such event the Company shall conform to and obey all directions issued by or on behalf of H.M.Government.

Compensation/











Dated

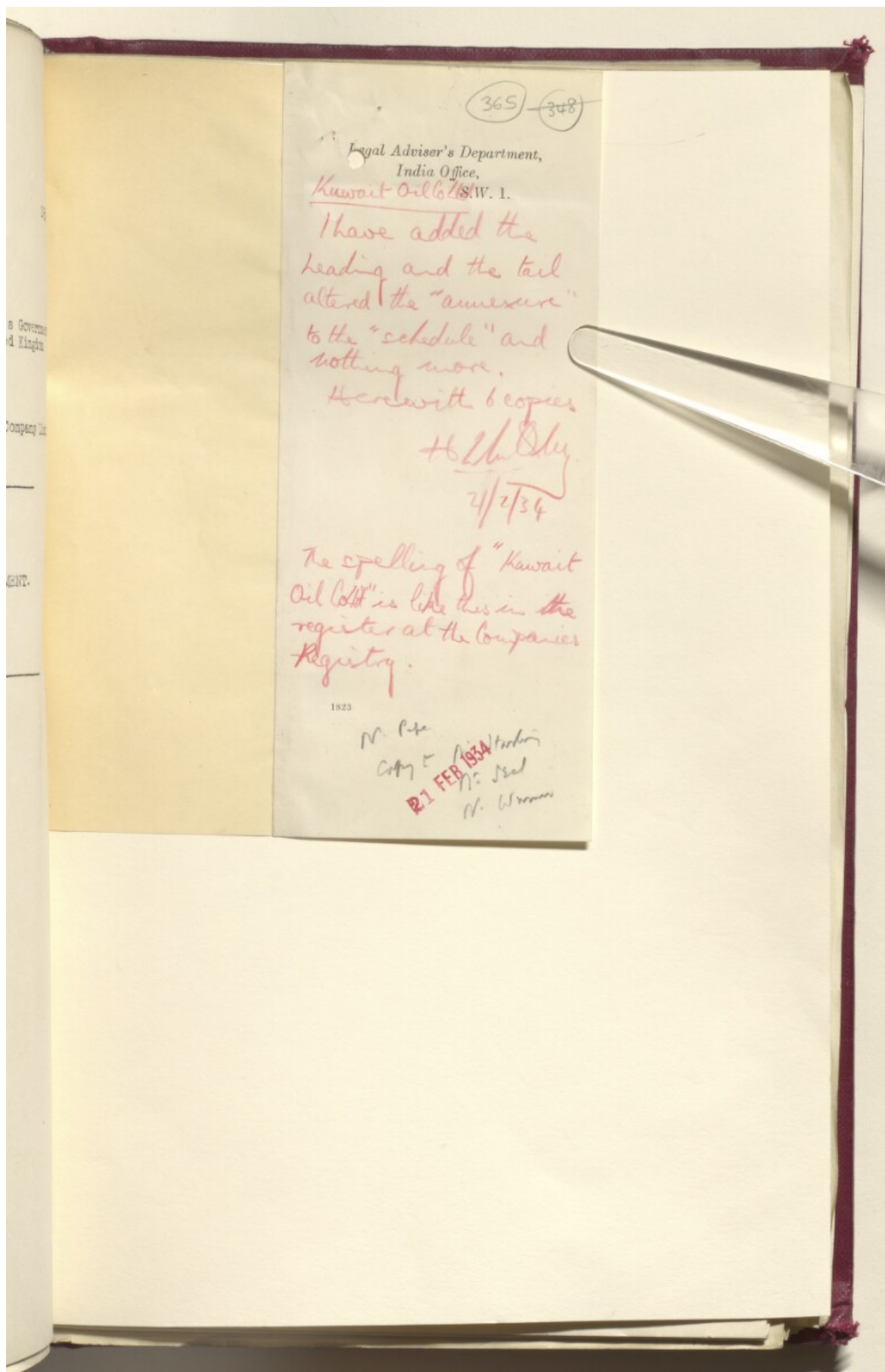
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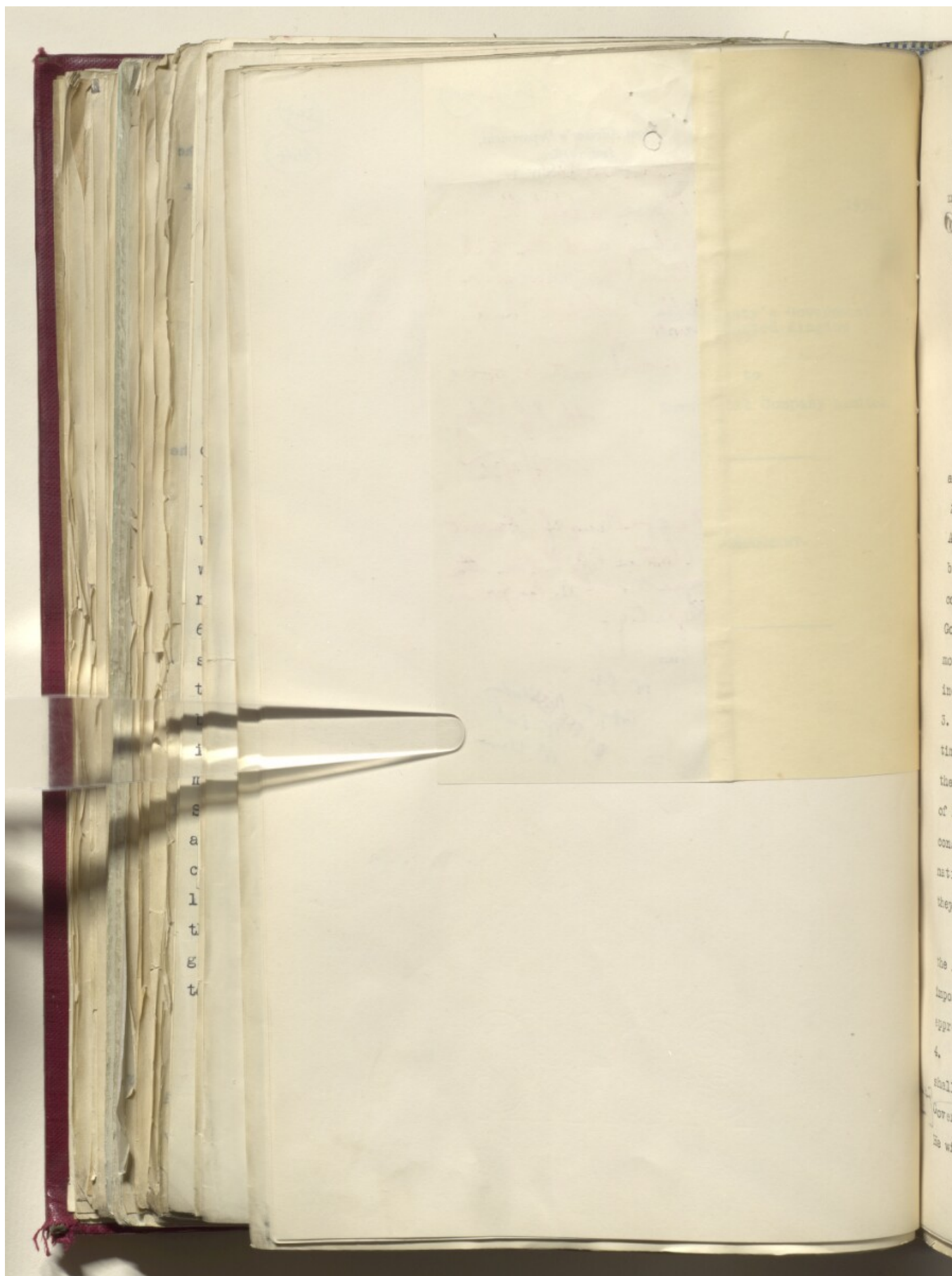
His Majesty's Government
in the United Kingdom

to

Kuwait Oil Company Limited.

AGREEMENT.







P.Z. 1047/34.

This Agreement dated the day of 1934

made between His Majesty's Government in the United Kingdom
(hereinafter called "His Majesty's Government") of the one part
and the Kuwait Oil Company Limited (hereinafter called "the
Company") of the other part.

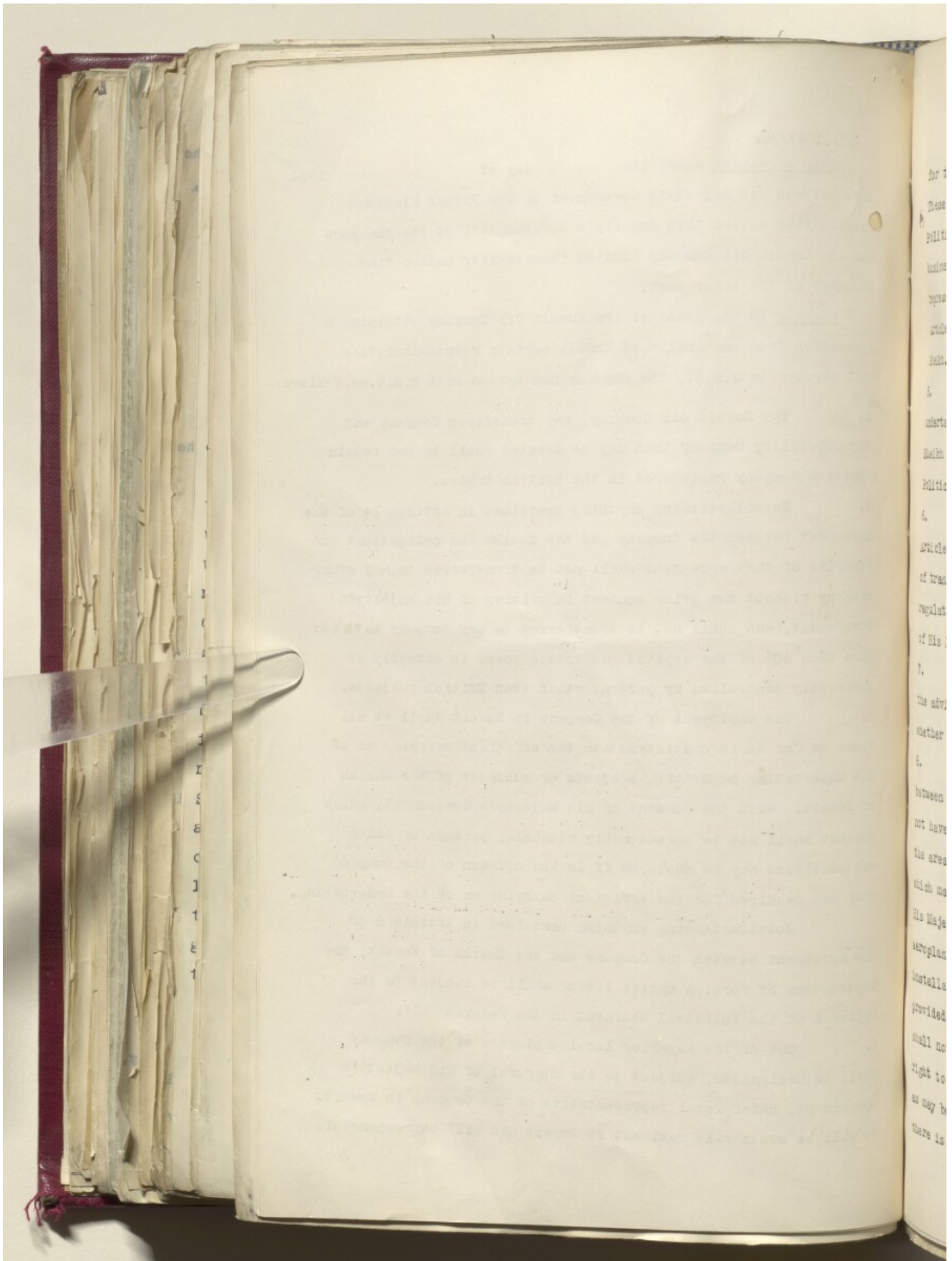
Whereas in the event of the Kuwait Oil Company obtaining a
concession from the Sheikh of Koweit certain responsibilities
will devolve on H.M.G., the Company has agreed with H.M.G. as follows:-

1. The Kuwait Oil Company, any transferee Company and
any subsidiary Company that may be created shall be and remain
a British Company registered in the British Empire.
2. Notwithstanding anything contained in Article 14 of the
Agreement between the Company and the Sheikh the obligations and
benefits of that agreement shall not be transferred to any other
company without the prior consent in writing of His Majesty's
Government, and shall not be transferred to any company in which
more than 50% of the capital and voting power is directly or
indirectly controlled by persons other than British subjects.
3. The employees of the Company in Koweit shall at all
times so far as is consistent with the efficient carrying on of
the undertaking be British subjects or subjects of the Sheikh
of Koweit. With the consent of His Majesty's Government, which
consent shall not be unreasonably withheld, persons of other
nationalities may be employed if in the opinion of the Company
they are required for the efficient carrying on of the undertaking.

Notwithstanding anything contained in Article 8 of
the Agreement between the Company and the Sheikh of Koweit, the
importation of foreign native labour shall be subject to the
approval of the Political Resident in the Persian Gulf.

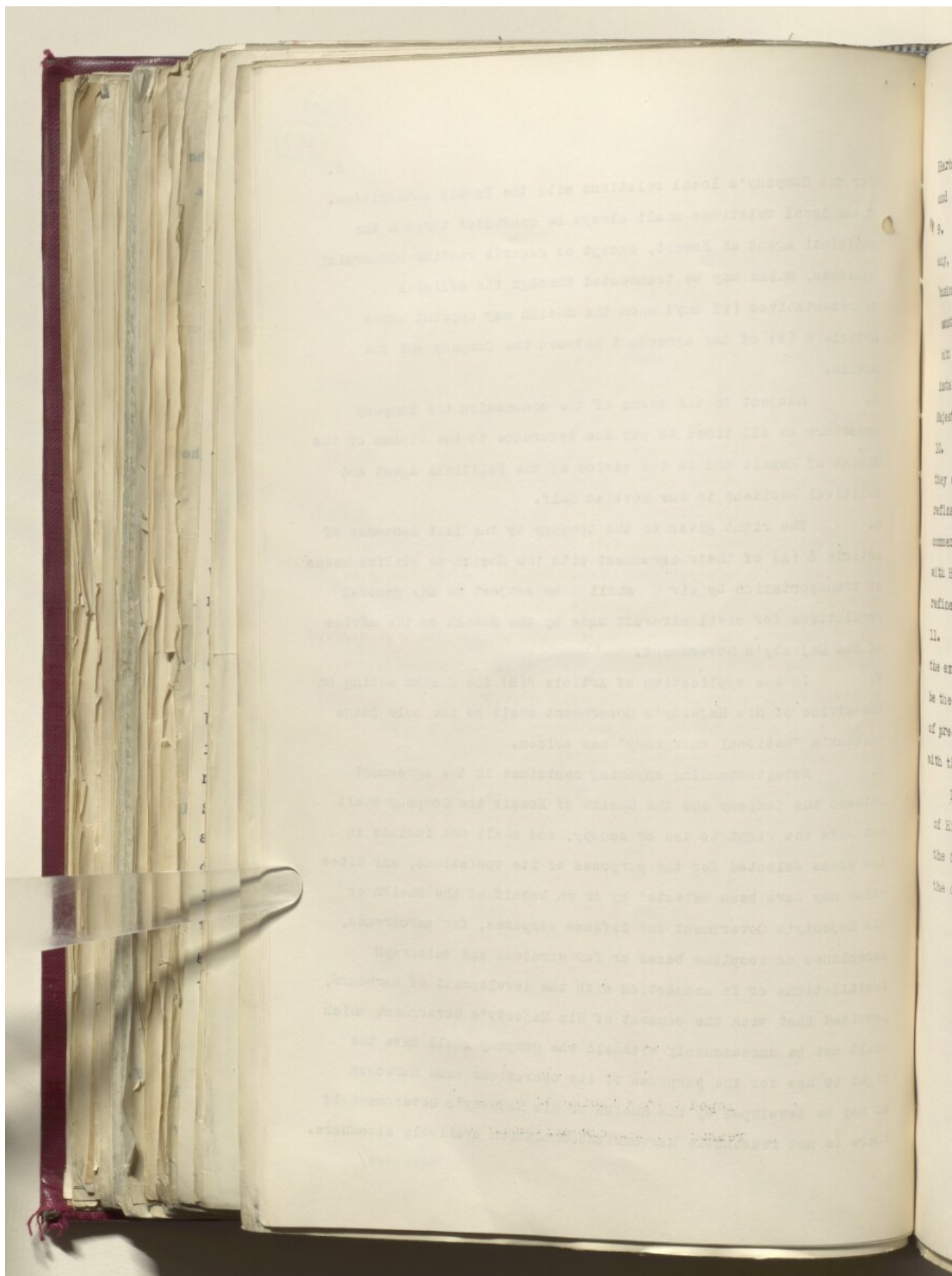
4. One of the superior local employees of the Company
shall be designated, subject to the approval of His Majesty's
Government, chief local representative of the Company in Koweit.
He will be ordinarily resident at Koweit and will be responsible

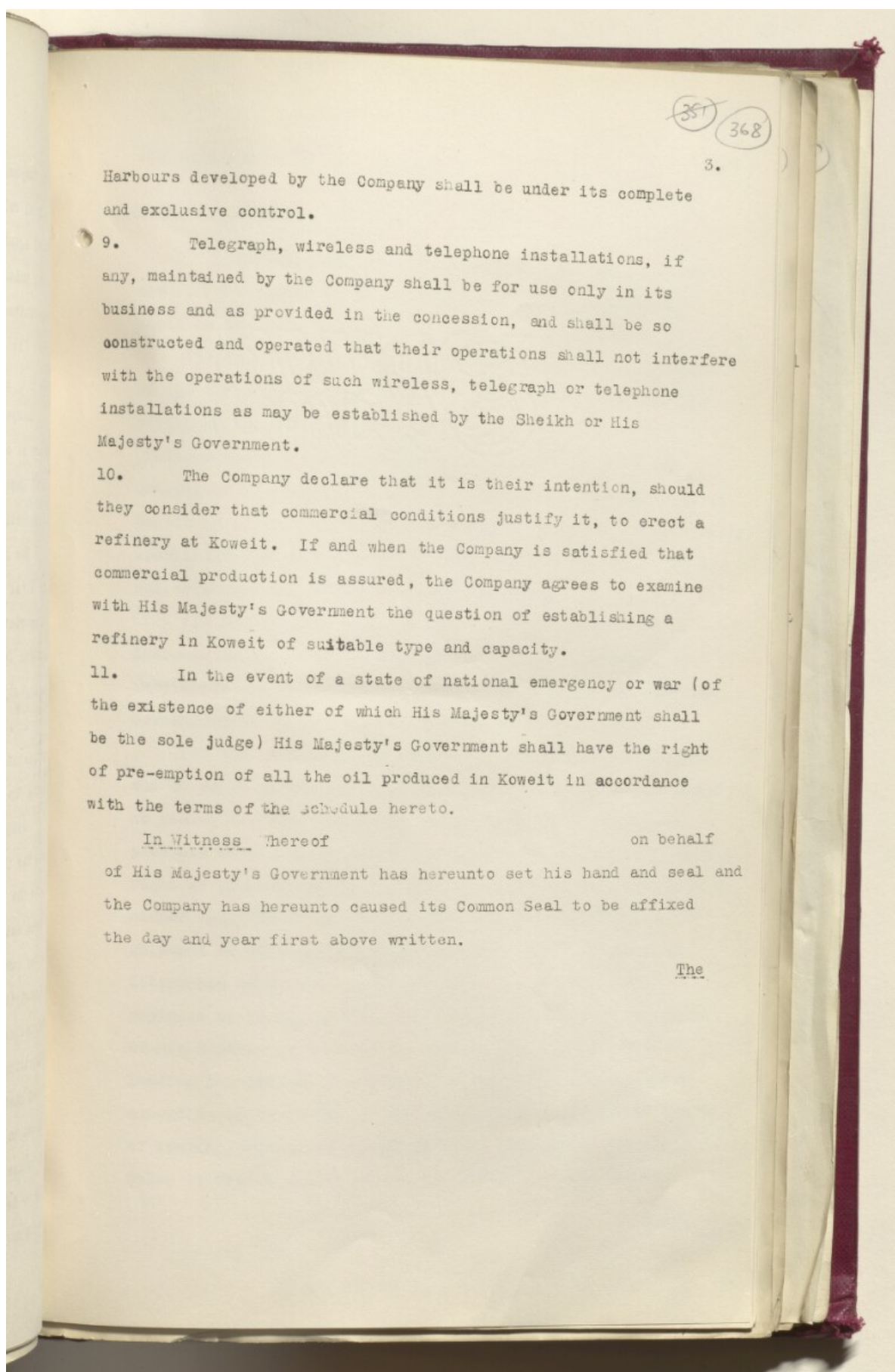
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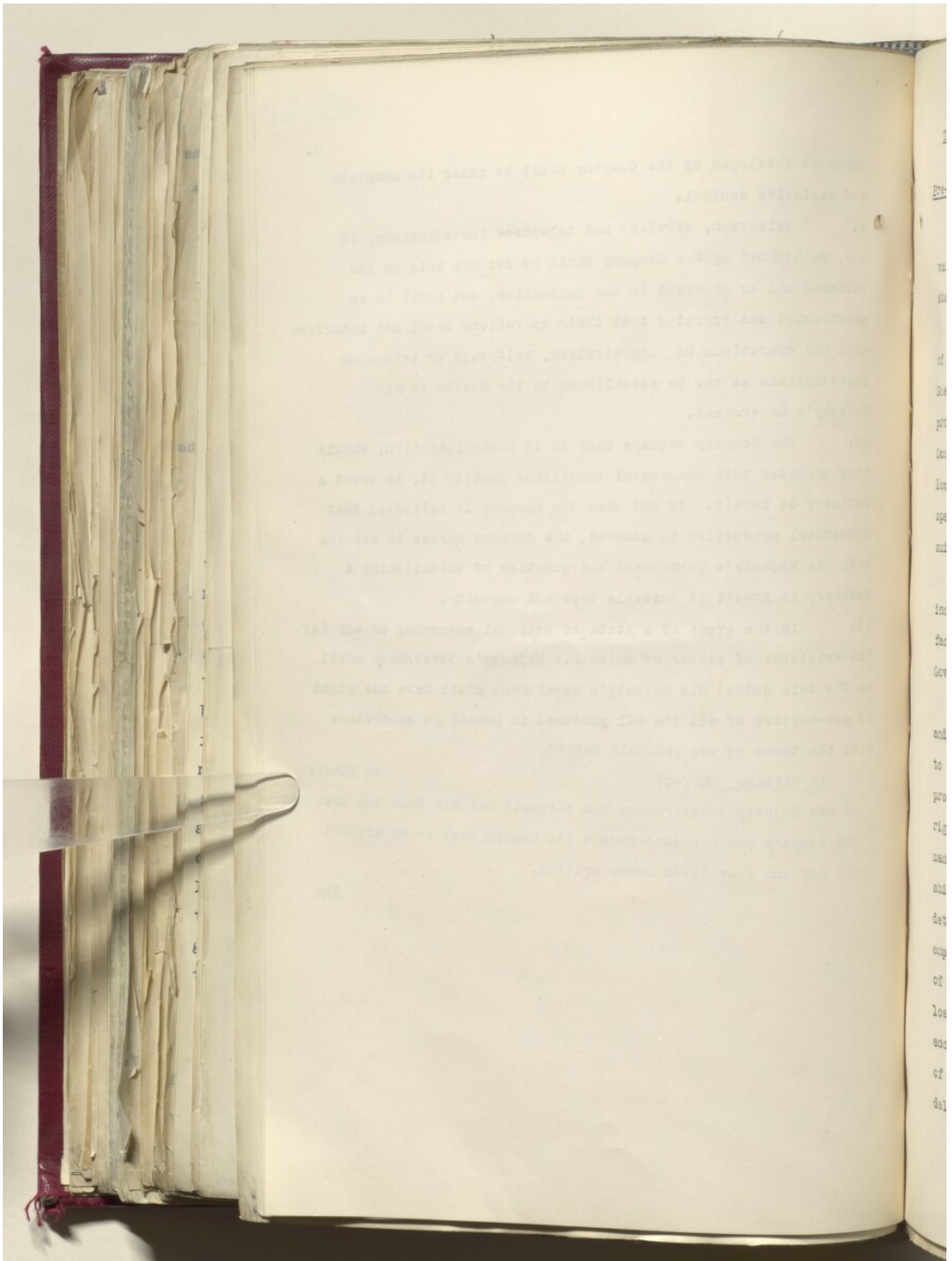




- 350
367
2.
for the Company's local relations with the Koweit authorities.
These local relations shall always be conducted through the Political Agent at Koweit, except as regards routine commercial business, which may be transacted through the official representatives (if any) whom the Sheikh may appoint under Article 6 (B) of the agreement between the Company and the Sheikh.
5. Subject to the terms of the concession the Company undertake at all times to pay due deference to the wishes of the Sheikh of Koweit and to the advice of the Political Agent and Political Resident in the Persian Gulf.
6. The right given to the Company by the last sentence of Article 5 (A) of their agreement with the Sheikh to utilise means of transportation by air shall be subject to any general regulations for civil aircraft made by the Sheikh on the advice of His Majesty's Government.
7. In the application of Article 5(B) the Sheikh acting on the advice of His Majesty's Government shall be the sole judge whether a "national emergency" has arisen.
8. Notwithstanding anything contained in the agreement between the Company and the Sheikh of Koweit the Company shall not have the right to use or occupy, and shall not include in the areas selected for the purposes of its operations, any sites which may have been selected by or on behalf of the Sheikh or His Majesty's Government for defence purposes, for aerodromes, aeroplanes or seaplane bases or for wireless and telegraph installations or in connection with the development of harbours, provided that with the consent of His Majesty's Government which shall not be unreasonably withheld the Company shall have the right to use for the purposes of its operations such harbours as may be developed by the Sheikh or His Majesty's Government if there is not reasonable harbour accommodation available elsewhere.
- Harbours/









(352)
(369)
The Schedule above referred to

Pre-emption Clause.

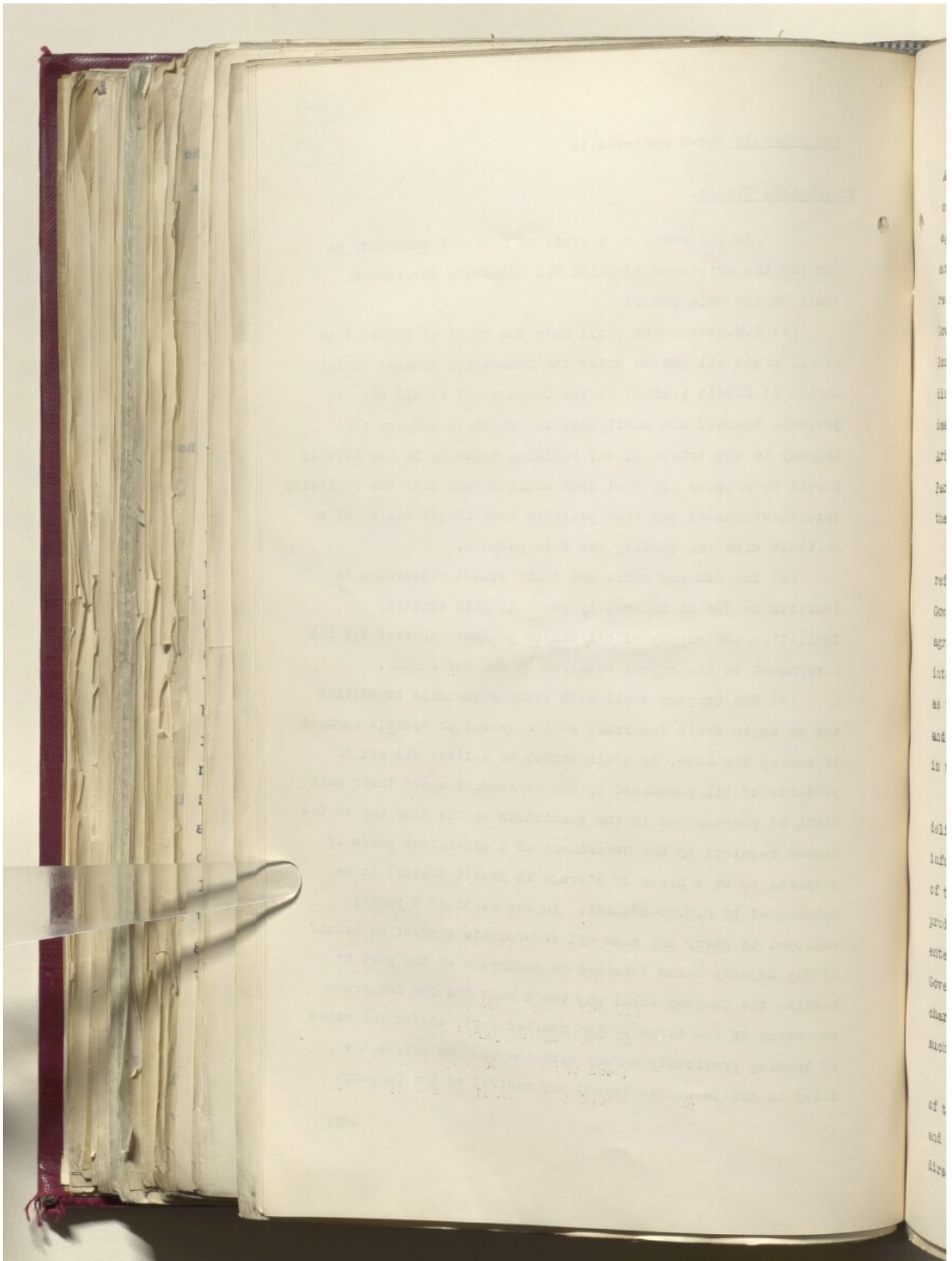
In the event of a state of national emergency or war (of the existence of which His Majesty's Government shall be the sole judge)

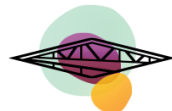
(1) H.M. Government shall have the right of pre-emption of all crude oil gotten under the Concession granted by the Sheikh of Koweit (Qatar) to the Company and of all the products thereof and shall have the right to require the Company to the extent of any refining capacity it may have in Koweit to produce oil fuel that shall comply with the Admiralty specifications at the time provided that Koweit Oil be of a suitable kind and quality for this purpose.

(2) The Company shall use their utmost endeavours to increase so far as reasonably possible with existing facilities the supply of oil and/or products thereof for the Government to the extent required by the Government.

(3) The Company shall with every reasonable expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do their utmost to deliver all oil or products of oil purchased by the Government under their said right of pre-emption in the quantities at the time and in the manner required by the Government at a convenient place of shipment or at a place of storage in Koweit (Qatar) to be determined by H.M. Government. In the event of a vessel employed to carry any such oil or products thereof on behalf of His Majesty being detained on demurrage at the port of loading the Company shall pay the amount due for demurrage according to the terms of the charter party and/or the rates of loading previously agreed with the Company unless the delay is due to causes beyond the control of the Company.

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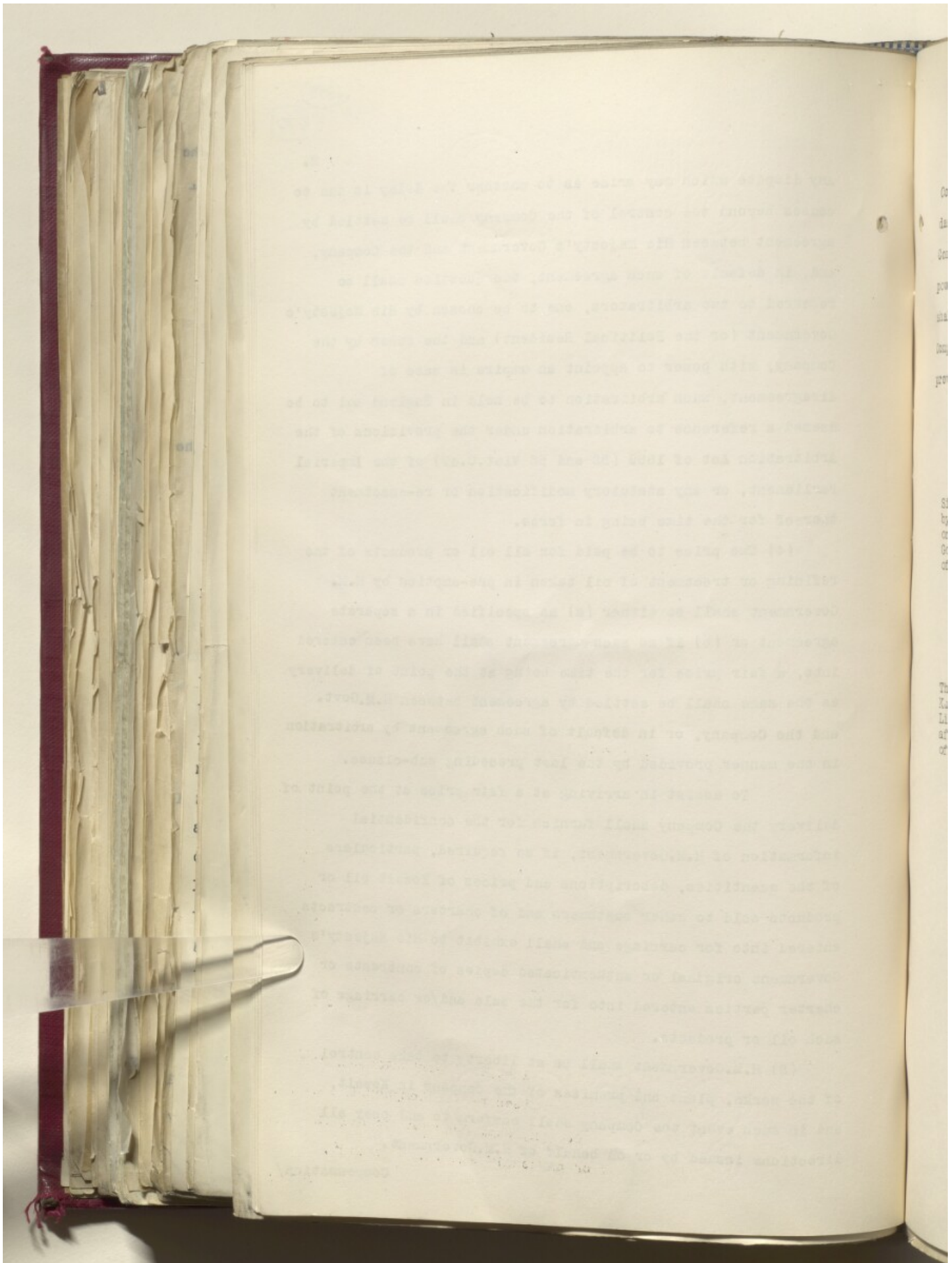
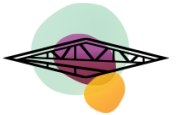
Any dispute which may arise as to whether the delay is due to causes beyond the control of the Company shall be settled by agreement between His Majesty's Government and the Company, and, in default of such agreement, the question shall be referred to two arbitrators, one to be chosen by His Majesty's Government (or the Political Resident) and the other by the Company, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 (52 and 53 Vict.C.49) of the Imperial Parliament, or any statutory modification or re-enactment thereof for the time being in force.

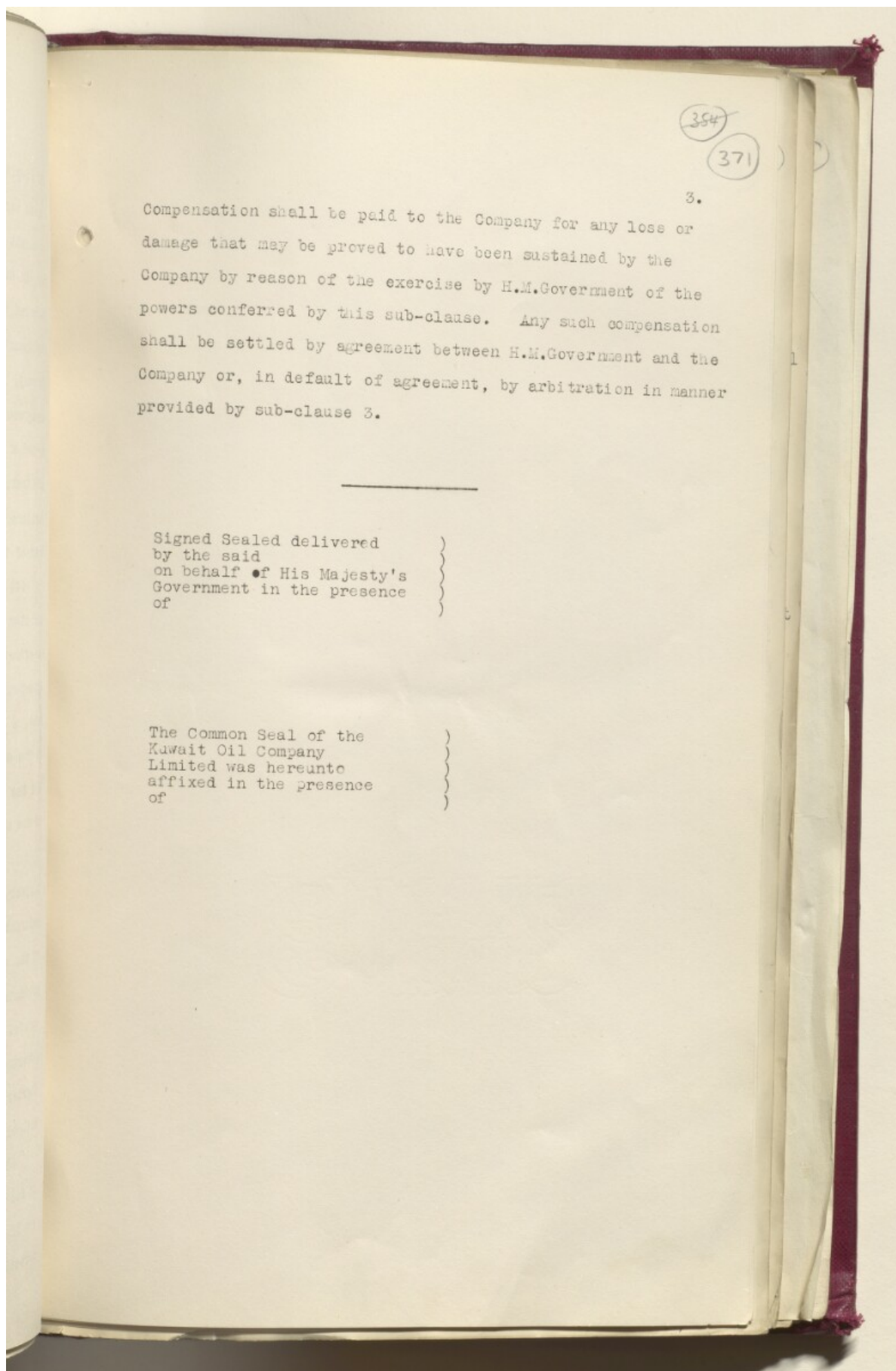
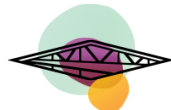
(4) The price to be paid for all oil or products of the refining or treatment of oil taken in pre-emption by H.M. Government shall be either (a) as specified in a separate agreement or (b) if no such agreement shall have been entered into, a fair price for the time being at the point of delivery as the same shall be settled by agreement between H.M.Govt. and the Company, or in default of such agreement by arbitration in the manner provided by the last preceding sub-clause.

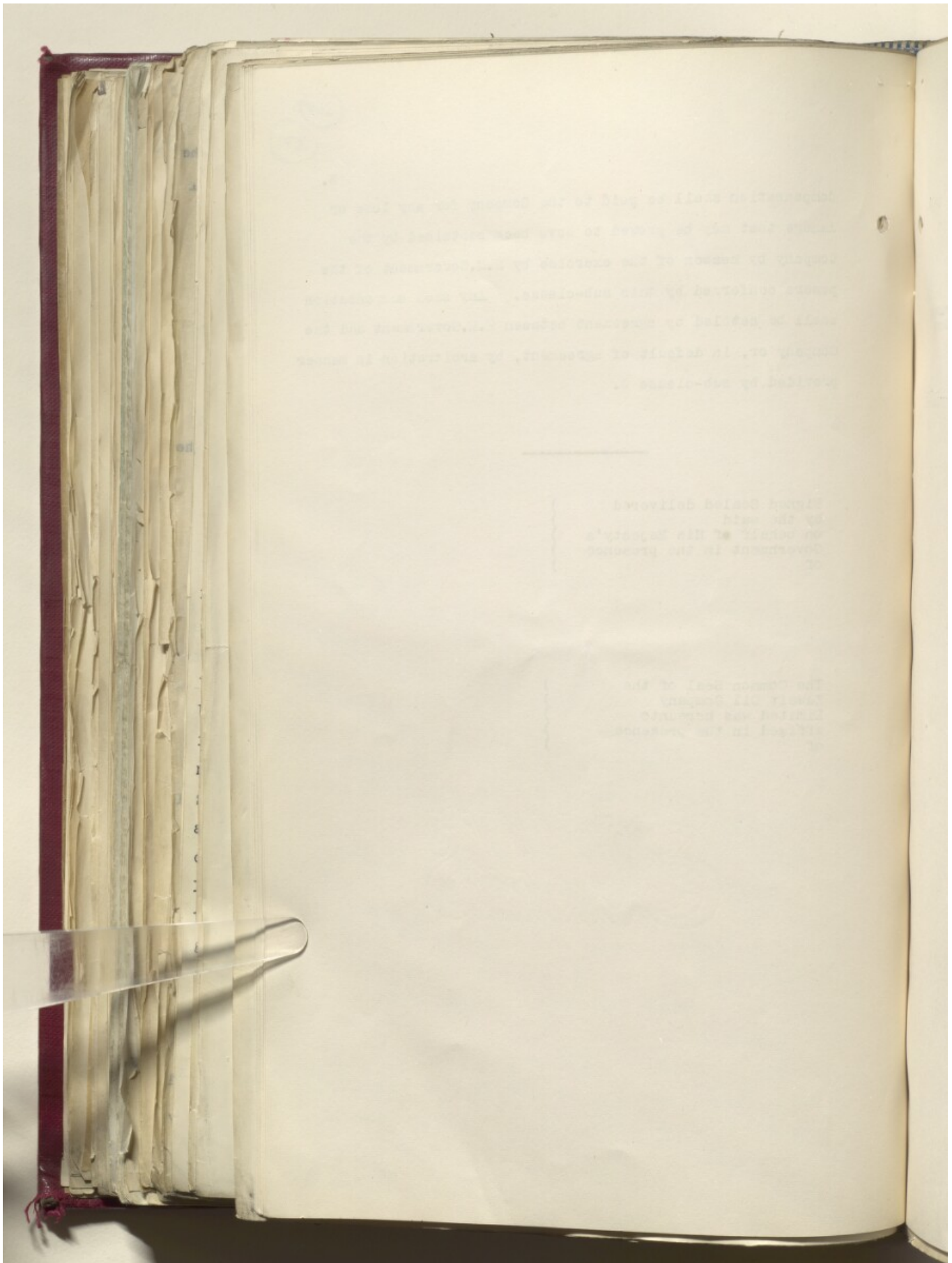
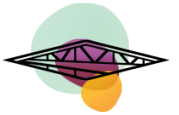
To assist in arriving at a fair price at the point of delivery the Company shall furnish for the confidential information of H.M.Government, if so required, particulars of the quantities, descriptions and prices of Koweit oil or products sold to other customers and of charters or contracts entered into for carriage and shall exhibit to His Majesty's Government original or authenticated copies of contracts or charter parties entered into for the sale and/or carriage of such oil or products.

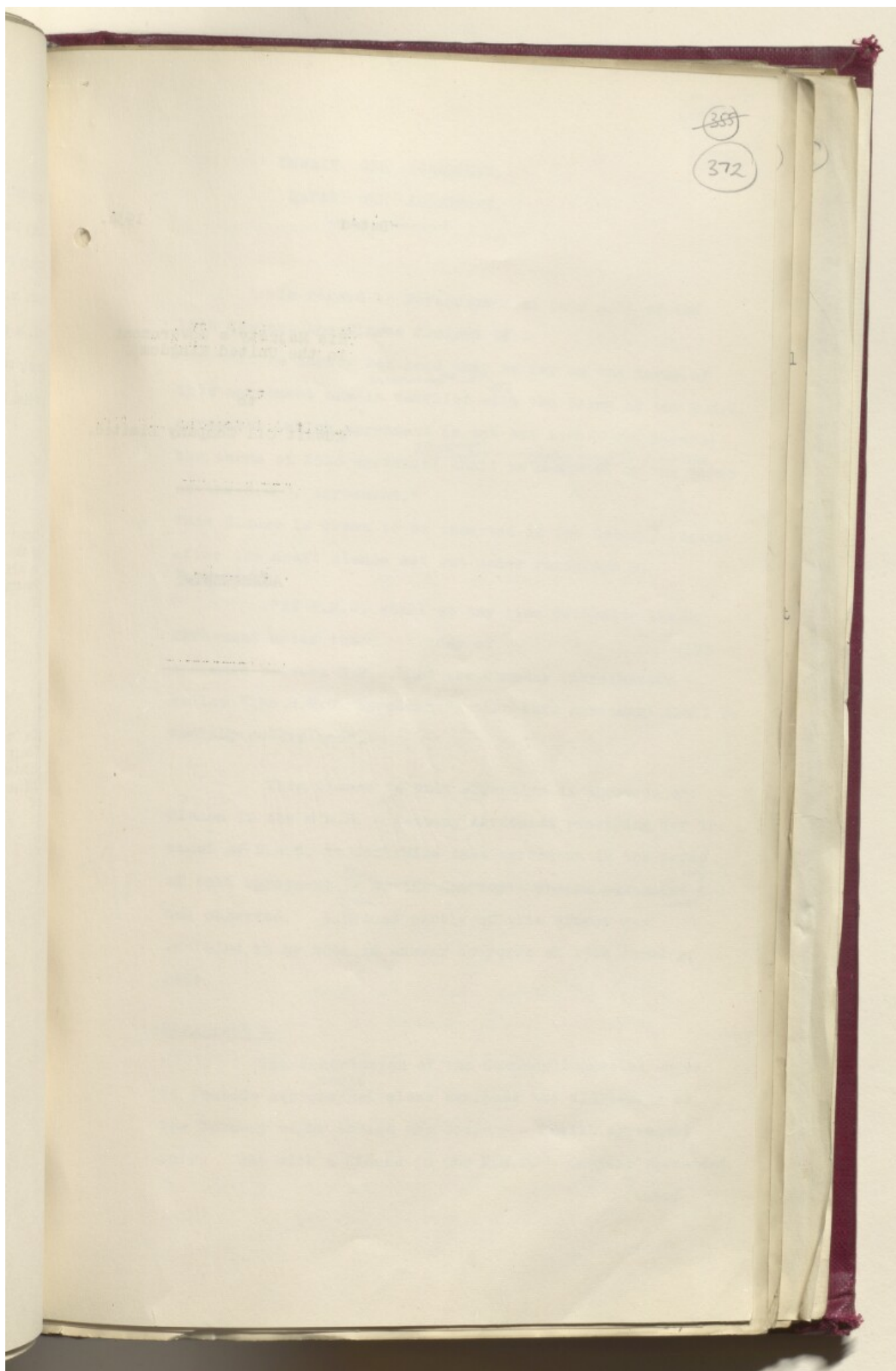
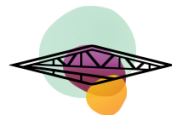
(5) H.M.Government shall be at liberty to take control of the works, plant and premises of the Company in Koweit, and in such event the Company shall conform to and obey all directions issued by or on behalf of H.M.Government.

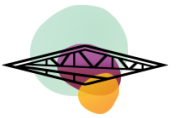
Compensation/











Dated

1934.

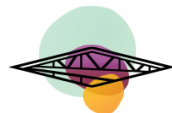
His Majesty's Government
in the United Kingdom

to

Kuwait Oil Company Limited.

AGREEMENT.

4/1



(354)
(373)

KUWAIT OIL AGREEMENT.
QATAR OIL AGREEMENT.

In regard to Paragraph 2 of your note of the 13th instant the Clause desired is:-

"It is hereby declared that so far as the terms of this agreement are ^{inherent} in conflict with the terms of the H.M.G. agreement (which agreement is set out in ^{the Schedule} hereto) the terms of this agreement shall be ^{subordinated + controlled} modified by the terms of the H.M.G. agreement."

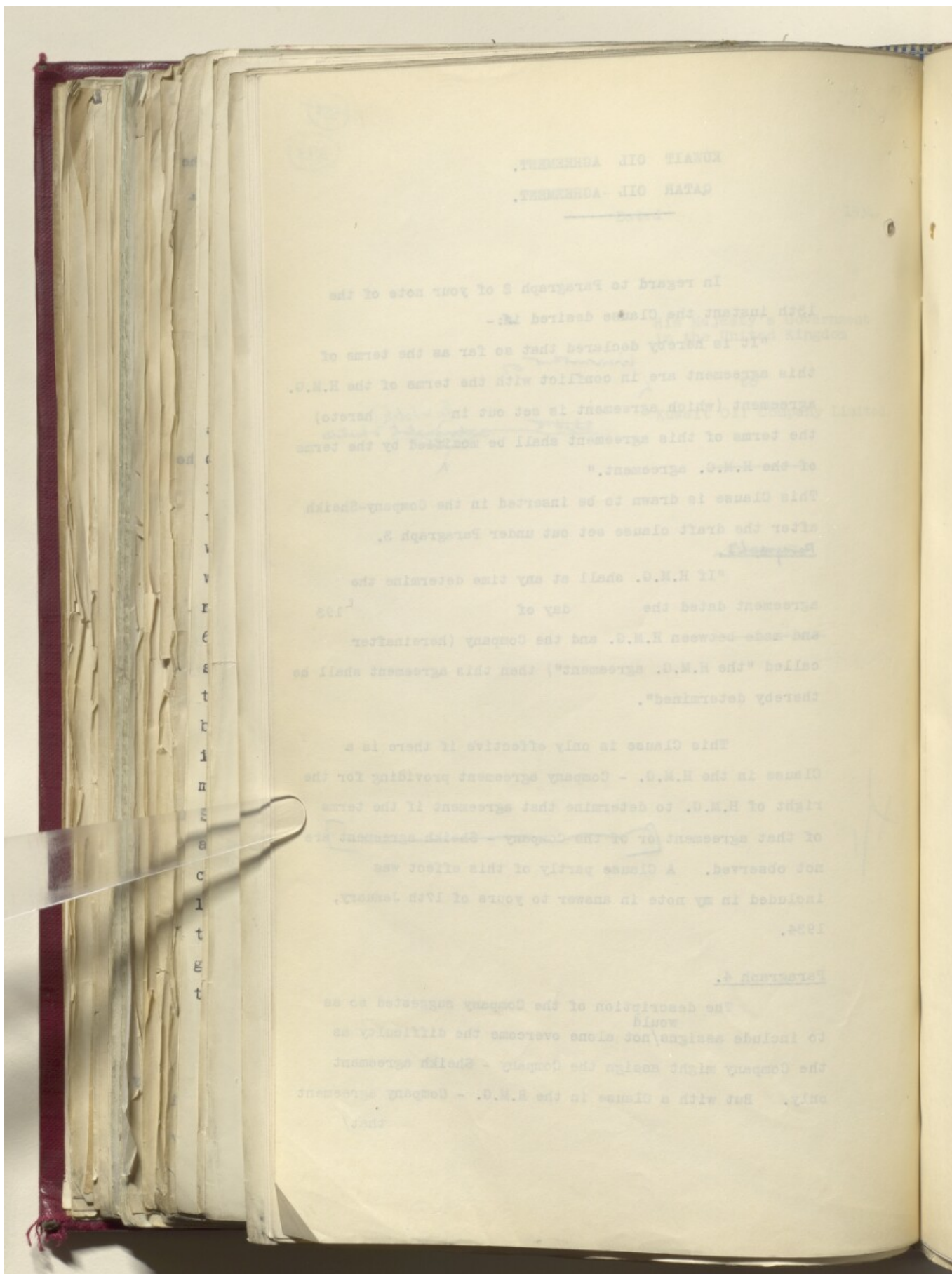
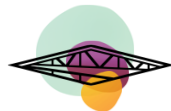
This Clause is drawn to be inserted in the Company-Sheikh after the draft clause set out under Paragraph 3.

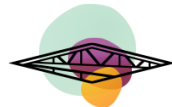
Paragraph 3.
"If H.M.G. shall at any time determine the agreement dated the day of 193 and made between H.M.G. and the Company (hereinafter called "the H.M.G. agreement") then this agreement shall be thereby determined".

X/1
This Clause is only effective if there is a Clause in the H.M.G. - Company agreement providing for the right of H.M.G. to determine that agreement if the terms of that agreement ~~or of the Company - Sheikh agreement~~ are not observed. A Clause partly of this effect was included in my note in answer to yours of 17th January, 1934.

Paragraph 4.

The description of the Company suggested so as ^{would} to include assigns/not alone overcome the difficulty as the Company might assign the Company - Sheikh agreement only. But with a Clause in the H.M.G. - Company agreement that/





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that "The Company shall not be entitled to assign the rights or liabilities of this agreement or of the agreement made between the Company and the Sheikh except to the person to whom the Company shall at the same time assign the rights and liabilities of the said agreement between the Company and the Sheikh or of this agreement respectively" as well as the suggested description the position is secured.

I presume that a clause "This agreement shall be construed in accordance with and the rights and liabilities of the parties hereto regulated by the laws of England" will be included in the H.M.G. - Company agreement and in the Company-Sheikh agreement. It would be senseless for the advice given to be rendered useless by a possible provision in the local laws of which we have no knowledge and which in the absence of provision to the contrary would govern the Company-Sheikh agreement.

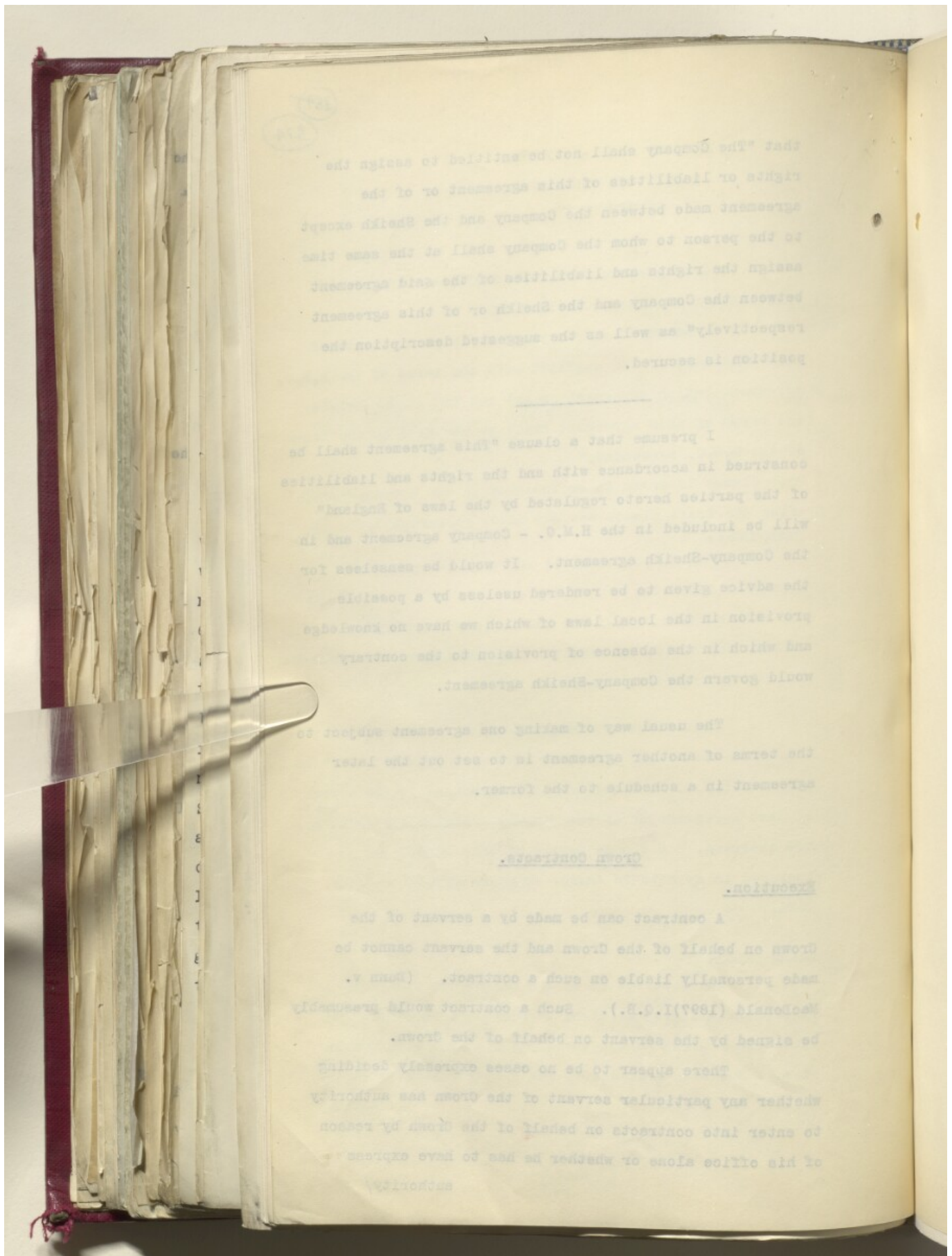
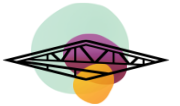
The usual way of making one agreement subject to the terms of another agreement is to set out the later agreement in a schedule to the former.

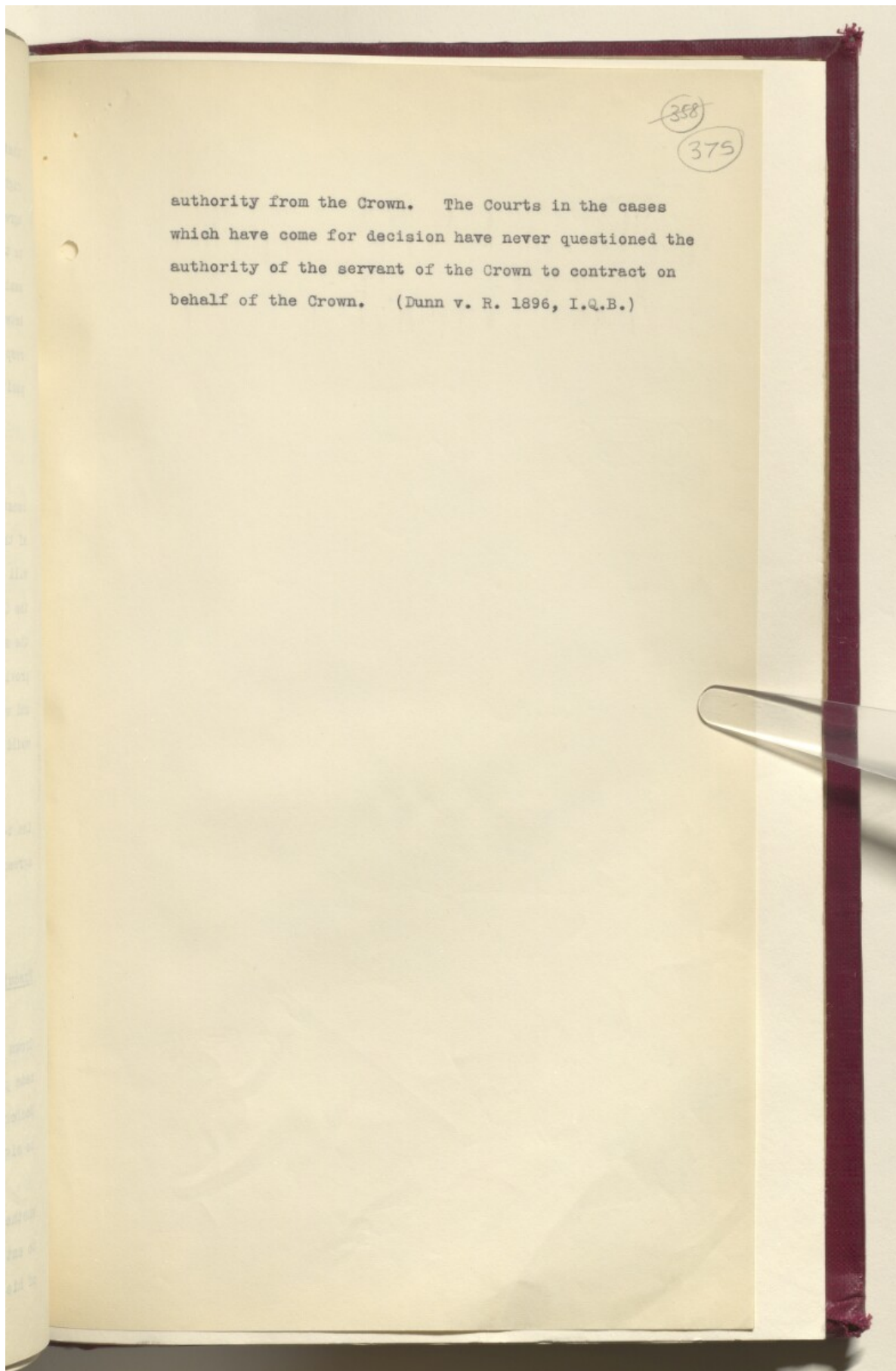
Crown Contracts.

Execution.

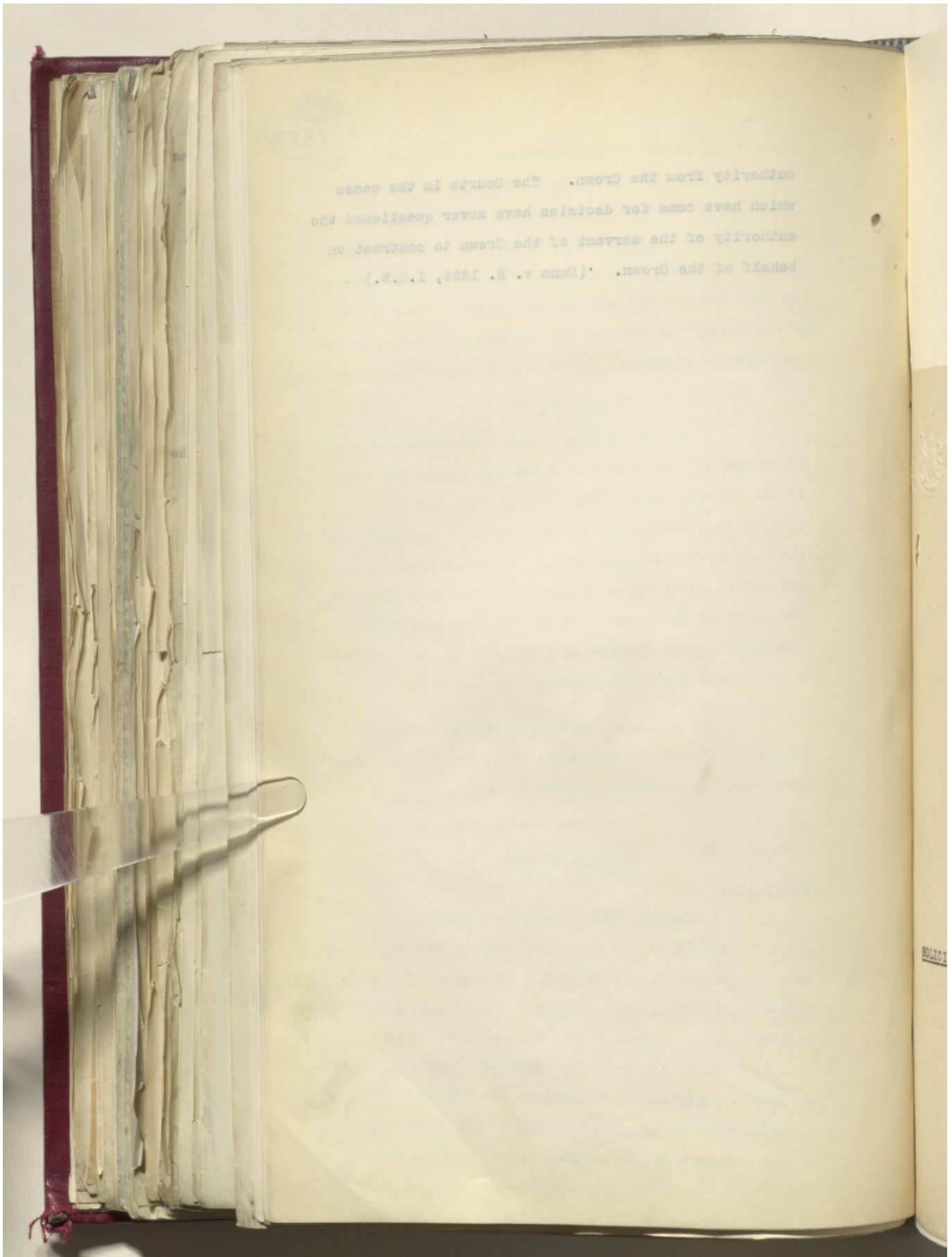
A contract can be made by a servant of the Crown on behalf of the Crown and the servant cannot be made personally liable on such a contract. (Dunn v. MacDonald (1897) I.Q.B.). Such a contract would presumably be signed by the servant on behalf of the Crown.

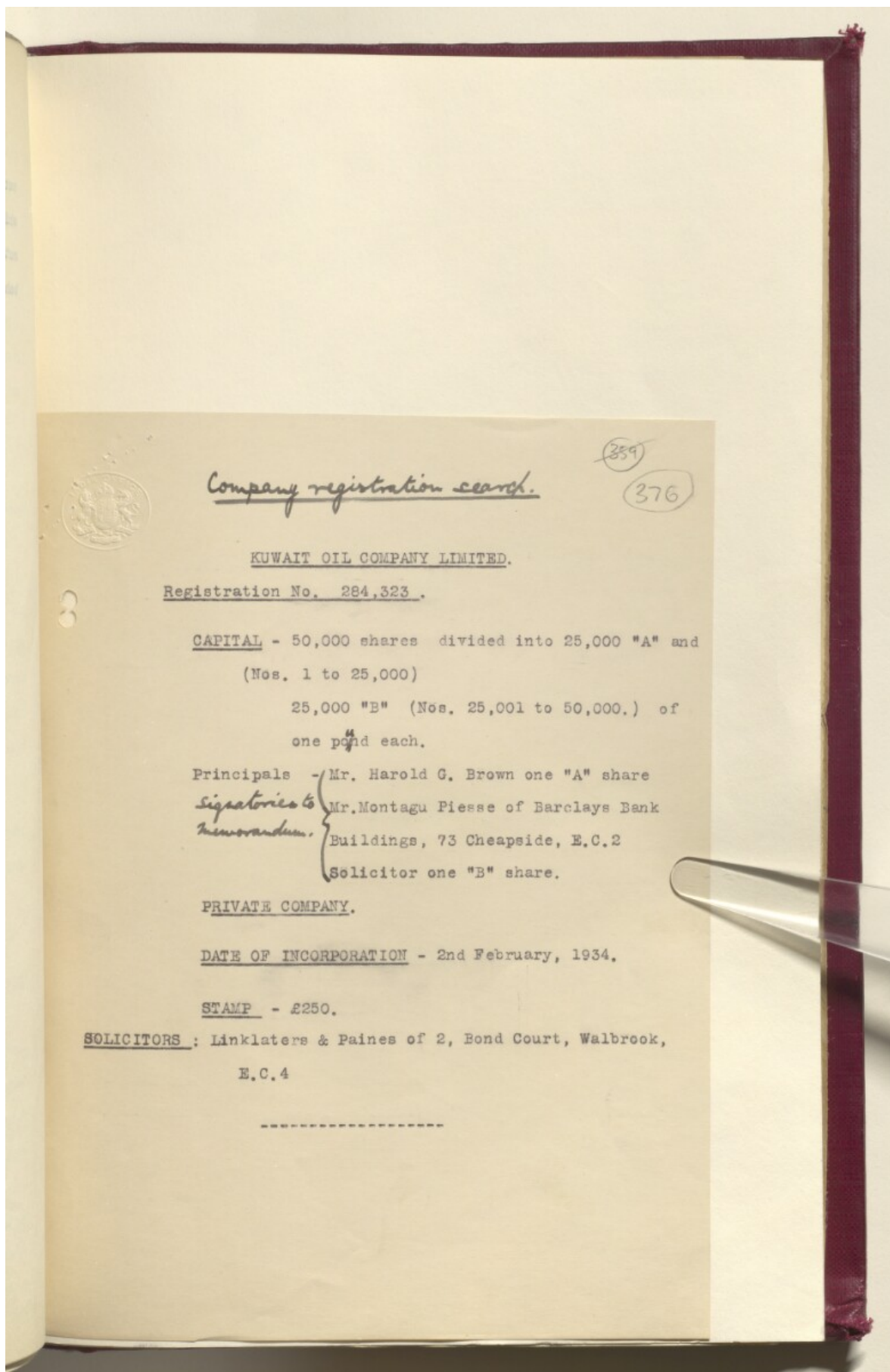
There appear to be no cases expressly deciding whether any particular servant of the Crown has authority to enter into contracts on behalf of the Crown by reason of his office alone or whether he has to have express authority/





authority from the Crown. The Courts in the cases
which have come for decision have never questioned the
authority of the servant of the Crown to contract on
behalf of the Crown. (Dunn v. R. 1896, I.Q.B.)





Company registration search.

KUWAIT OIL COMPANY LIMITED.

Registration No. 284,323.

CAPITAL - 50,000 shares divided into 25,000 "A" and
(Nos. 1 to 25,000)
25,000 "B" (Nos. 25,001 to 50,000.) of
one p⁴nd each.

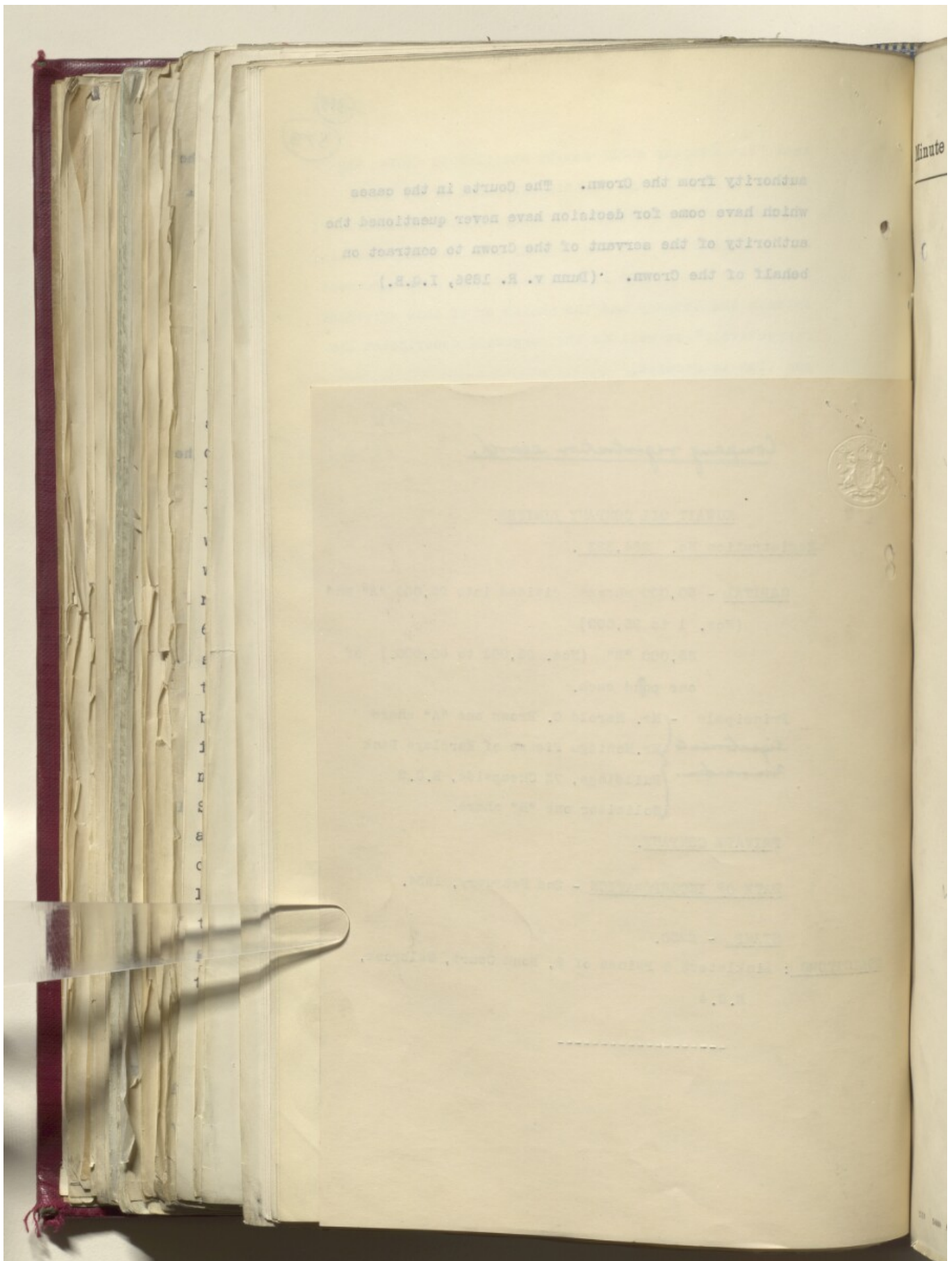
Principals - Mr. Harold G. Brown one "A" share
Signatories to { Mr. Montagu Plesse of Barclays Bank
Memorandum. { Buildings, 73 Cheapside, E.C.2
Solicitor one "B" share.

PRIVATE COMPANY.

DATE OF INCORPORATION - 2nd February, 1934.

STAMP - £250.

SOLICITORS : Linklaters & Paines of 2, Bond Court, Walbrook,
E.C.4





Minute Paper.

Department.

Legal Adviser.

1. As it is probable that the Coy.-Govt. agreement will be signed before the Coy.-Sheikh agreement, it is not necessary to consider further for the moment a clause providing that the latter will not come into operation till the former is signed.
2. The Coy.'s negotiations with the Sheikh may be difficult. It may be desirable at some stage in these negotiations to inform the Sheikh that it is proposed to insert in the Coy.-Sheikh agreement a clause making it subject to the terms of the Coy.-Govt. agreement, and to inform him concurrently of the substance of the latter agreement. But as the Sheikh may be rather shy of such a clause, it may be desired that it should not contain too much matter of detail, but that its terms should be as general and short as possible.

The main desideratum, I think, is to provide quite generally that the terms of the Coy.-Sheikh agreement are subject to those of the Coy.-Govt. agreement, wherever the latter may be at variance with the former. Could you kindly suggest a short clause on these lines?

3. I am not sure if it will now be considered necessary to provide in the Coy.-Sheikh agreement that it shall be void if the Coy. fails in any of its obligations under the Coy.-Govt. agreement. But, as the Admiralty have suggested this, it may be necessary to consider it further. Perhaps, therefore, you could kindly draft a short separate clause in general terms covering this point.

(It's suggested clause might perhaps be as a proviso to Art 1 of the Agreement between the Govt & the Sheikh (H.A.), which article would otherwise appear to be inconsistent with such a provision.)

4./



4. Another point raised in the Admiralty d.o. letter of 31st Jany. is that any transferee coy. shall not be entitled to work the concession until they have entered upon an undertaking to observe the terms of the Coy.-Govt. agreement. Could this not be adequately provided for in the preamble of the Govt.-Coy. agreement by providing therein that the agreement is made with the "Koweit Oil Coy., its successors and assigns (hereinafter called the Coy., which expression shall where the context so admits be deemed to include its successors and/or assigns)", or words to that effect?

5. It is thought that it may be undesirable to provide expressly that the courts of England shall have jurisdiction to determine all disputes relating to the Coy.-Govt. agreement, or to the rights and liabilities of the parties thereunder.

Perhaps we could discuss the above points?

W. Walton

3. 1. 24



INDEXED

Minute Paper.

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S. Z.
1928
1934

Department.

Legal Adviser.

Will you please refer to my reference of 17th Jan., and the draft of two clauses for the commercial agreements regarding the oil concessions in Koweit and Qatr, and one for the Govt. agreement, which you kindly supplied.

A question has been raised by the Koweit Oil Coy. whether the requirements ((a) that the agreement between the Coy. and the Sheikh will not come into force till the agreement between the Coy. and H.M.G. has been concluded, and (b) that the former agreement will be subject in all respects to the terms of the latter) would not be sufficiently provided for by including clauses in the agreement between the Coy. and H.M.G. alone, without including anything on these points in the agreement between the Coy. and the Sheikh.

If, as may quite probably happen, the agreement between the Coy. and H.M.G. is actually concluded and signed simultaneously with or before signature of the agreement between the Coy. and the Sheikh, point (a) would of course not arise. But in any event it is very important to make sure of point (b) above. Could you kindly advise whether it would be clear in law that the Coy.-Sheikh agreement was subject in all respects to the Coy.-H.M.G. agreement, if a provision to this effect were contained only in the Coy.-H.M.G. agreement, and not in the Coy.-Sheikh agreement?

If the presence of such a clause in the Coy.-H.M.G. agreement alone would have the desired effect of limiting the Coy.'s rights under the Coy.-Sheikh agreement

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80/



so far as these were inconsistent with the terms of the Coy.-H.M.C. agreement, but if the terms of the latter were not at the time of signature disclosed to the Sheikh, would the Sheikh, if he became aware of the Coy.-H.M.C. agreement, be able, if he wished, to repudiate his obligations under the Coy.-Sheikh agreement, on the ground that they ^{last} had been ^{made} subject to another agreement of the terms of which he had not been made cognisant?

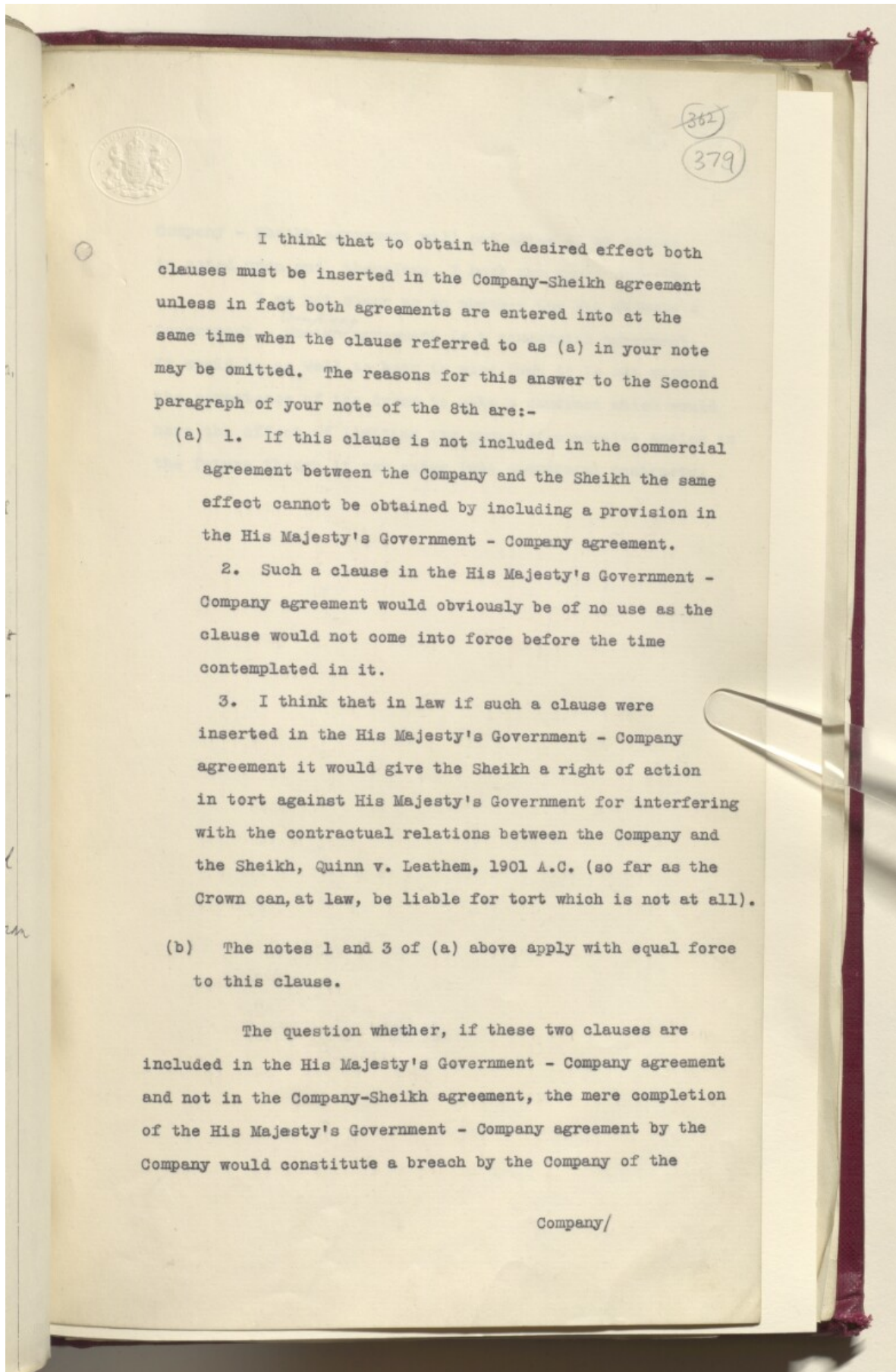
Copy is attached of the latest draft of the proposed agreement between the Kuwait Oil Co. & the Sheikh, & of a list of the points which it is proposed to embody in the agreement between the Company & H.M.C.

Enclosure

1. 2. 34

Please see note attached

C. A. H. Norman
1. 11. 34.



I think that to obtain the desired effect both clauses must be inserted in the Company-Sheikh agreement unless in fact both agreements are entered into at the same time when the clause referred to as (a) in your note may be omitted. The reasons for this answer to the Second paragraph of your note of the 8th are:-

(a) 1. If this clause is not included in the commercial agreement between the Company and the Sheikh the same effect cannot be obtained by including a provision in the His Majesty's Government - Company agreement.

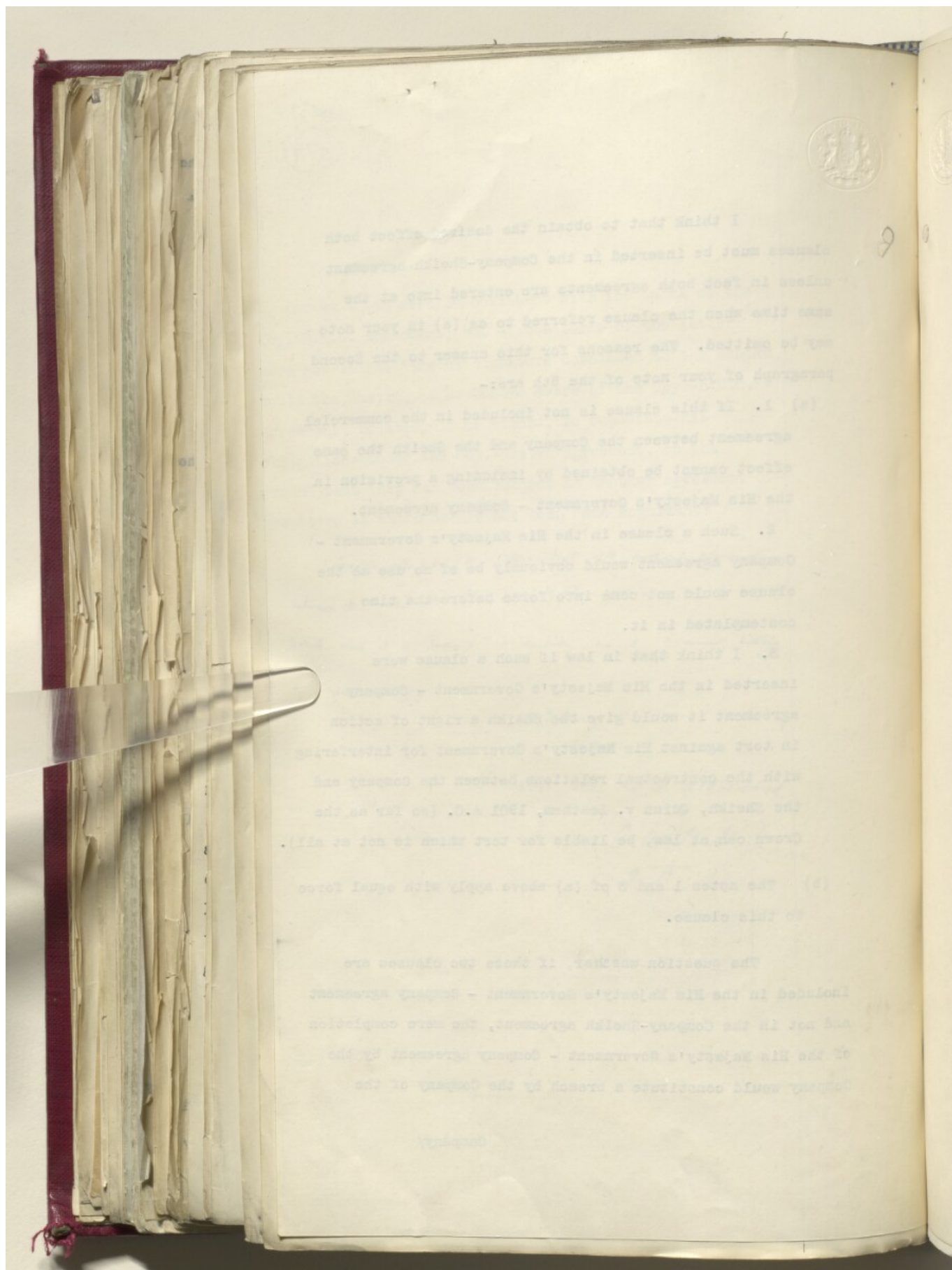
2. Such a clause in the His Majesty's Government - Company agreement would obviously be of no use as the clause would not come into force before the time contemplated in it.

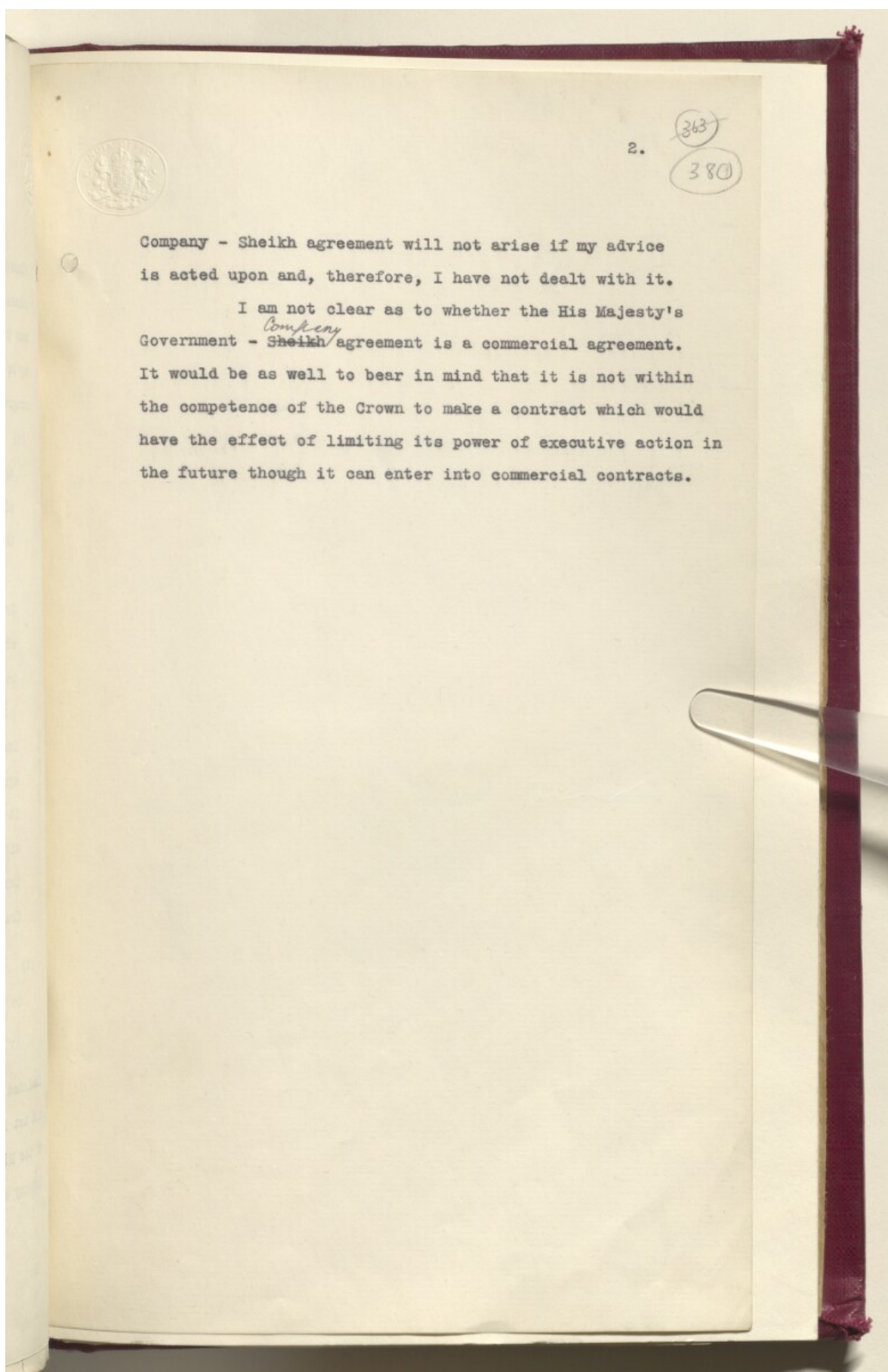
3. I think that in law if such a clause were inserted in the His Majesty's Government - Company agreement it would give the Sheikh a right of action in tort against His Majesty's Government for interfering with the contractual relations between the Company and the Sheikh, *Quinn v. Leatham*, 1901 A.C. (so far as the Crown can, at law, be liable for tort which is not at all).

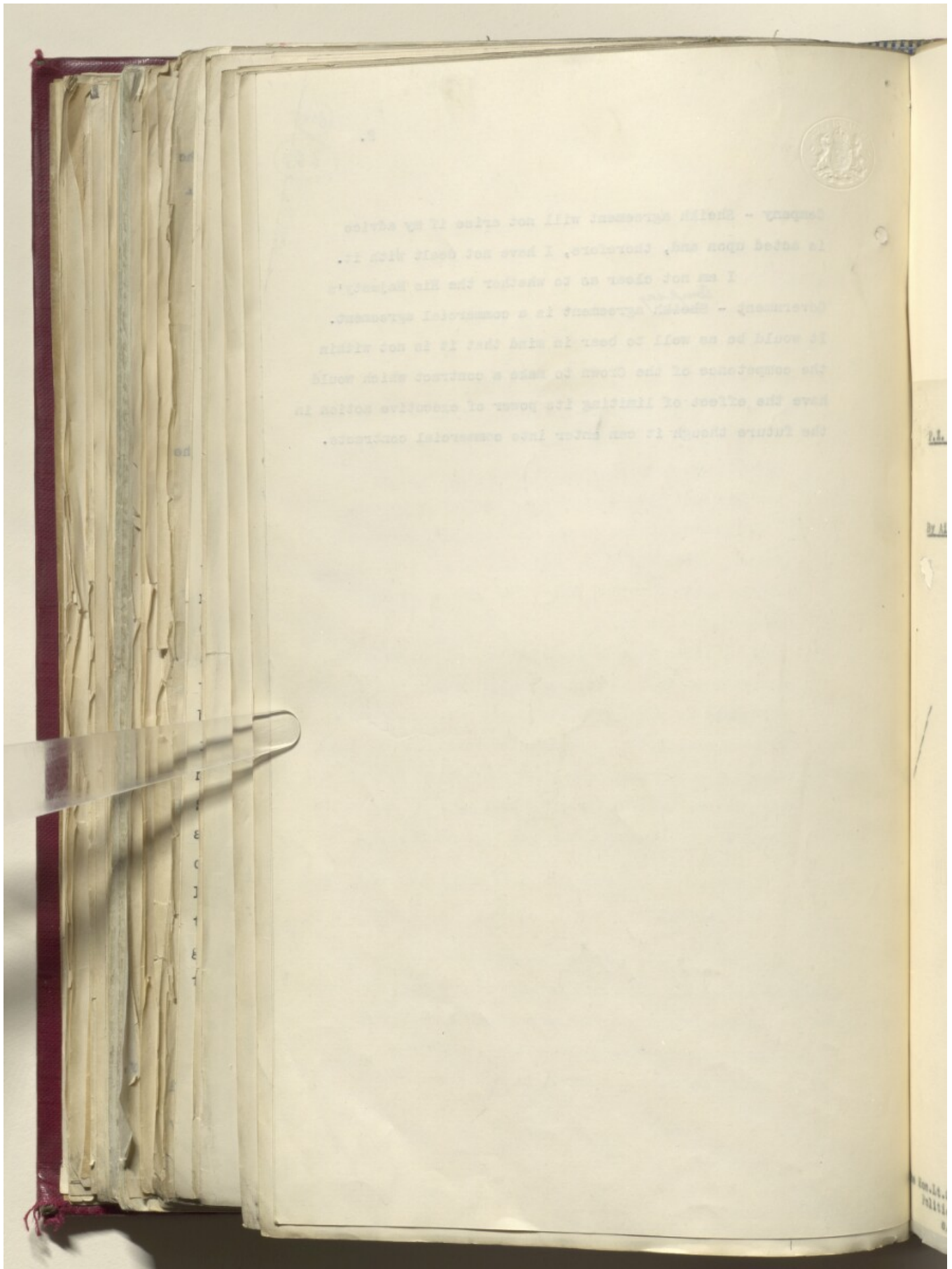
(b) The notes 1 and 3 of (a) above apply with equal force to this clause.

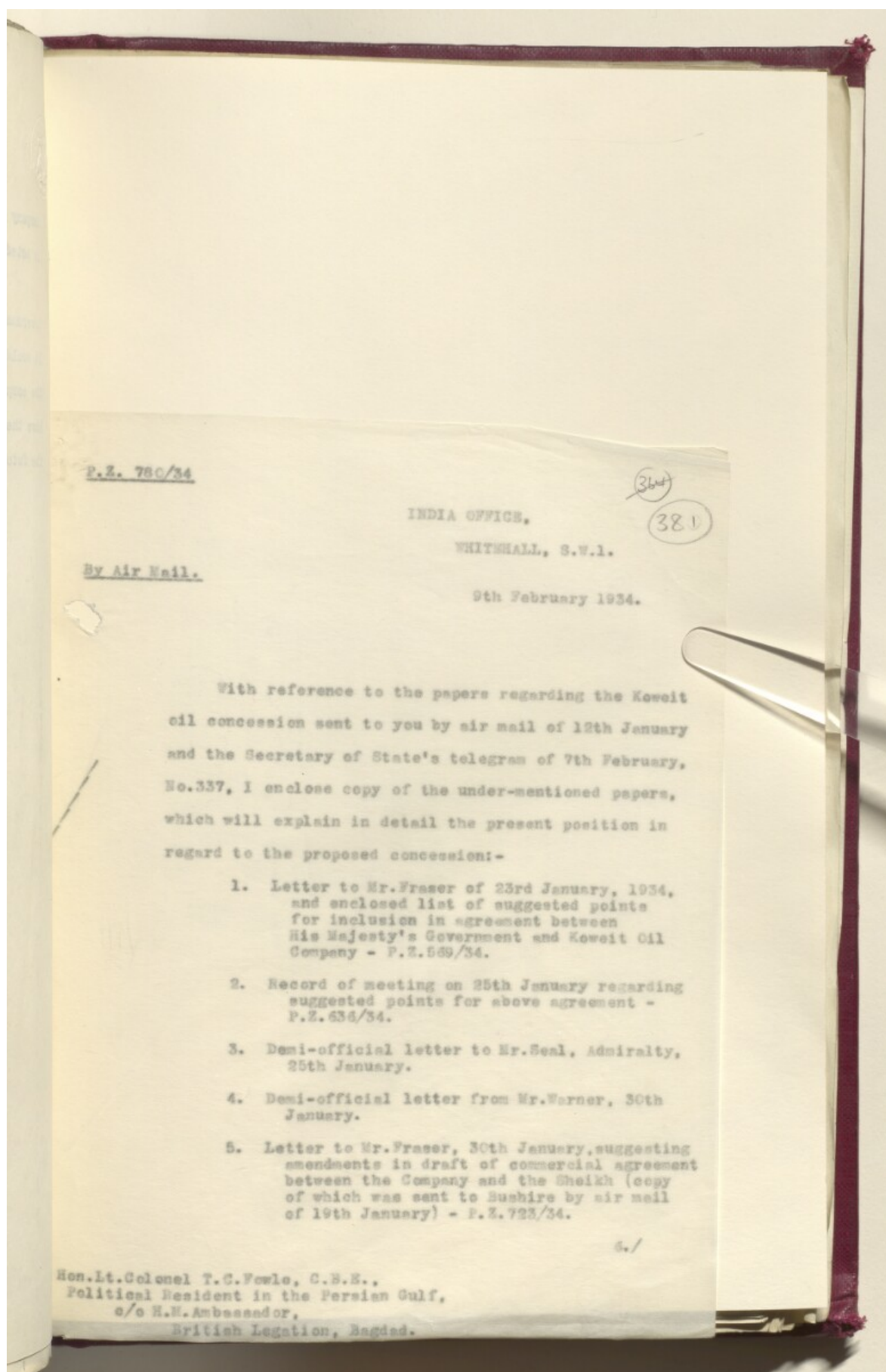
The question whether, if these two clauses are included in the His Majesty's Government - Company agreement and not in the Company-Sheikh agreement, the mere completion of the His Majesty's Government - Company agreement by the Company would constitute a breach by the Company of the

Company/









P.Z. 780/34

INDIA OFFICE,

WHITEHALL, S.W.1.

By Air Mail.

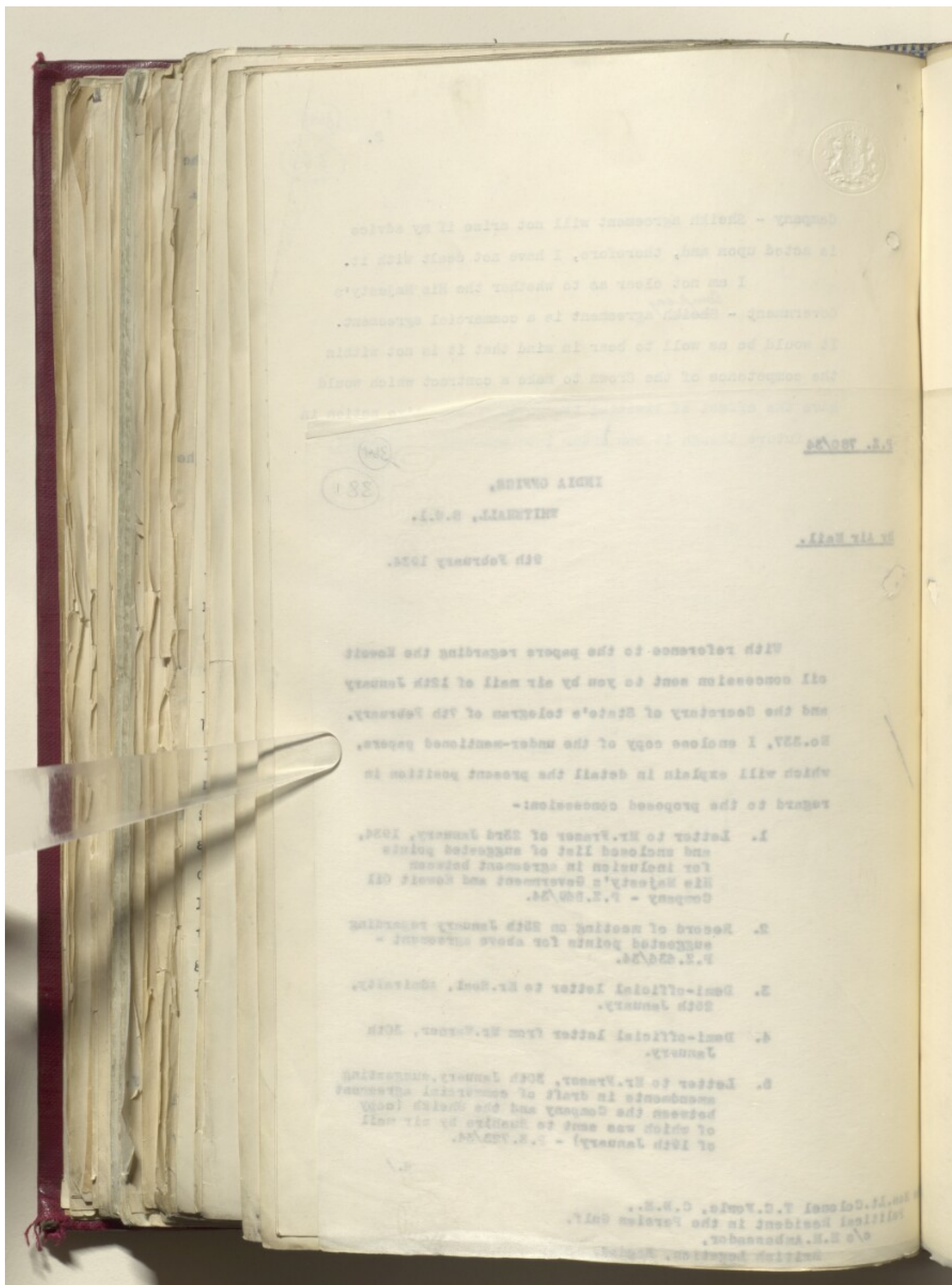
9th February 1934.

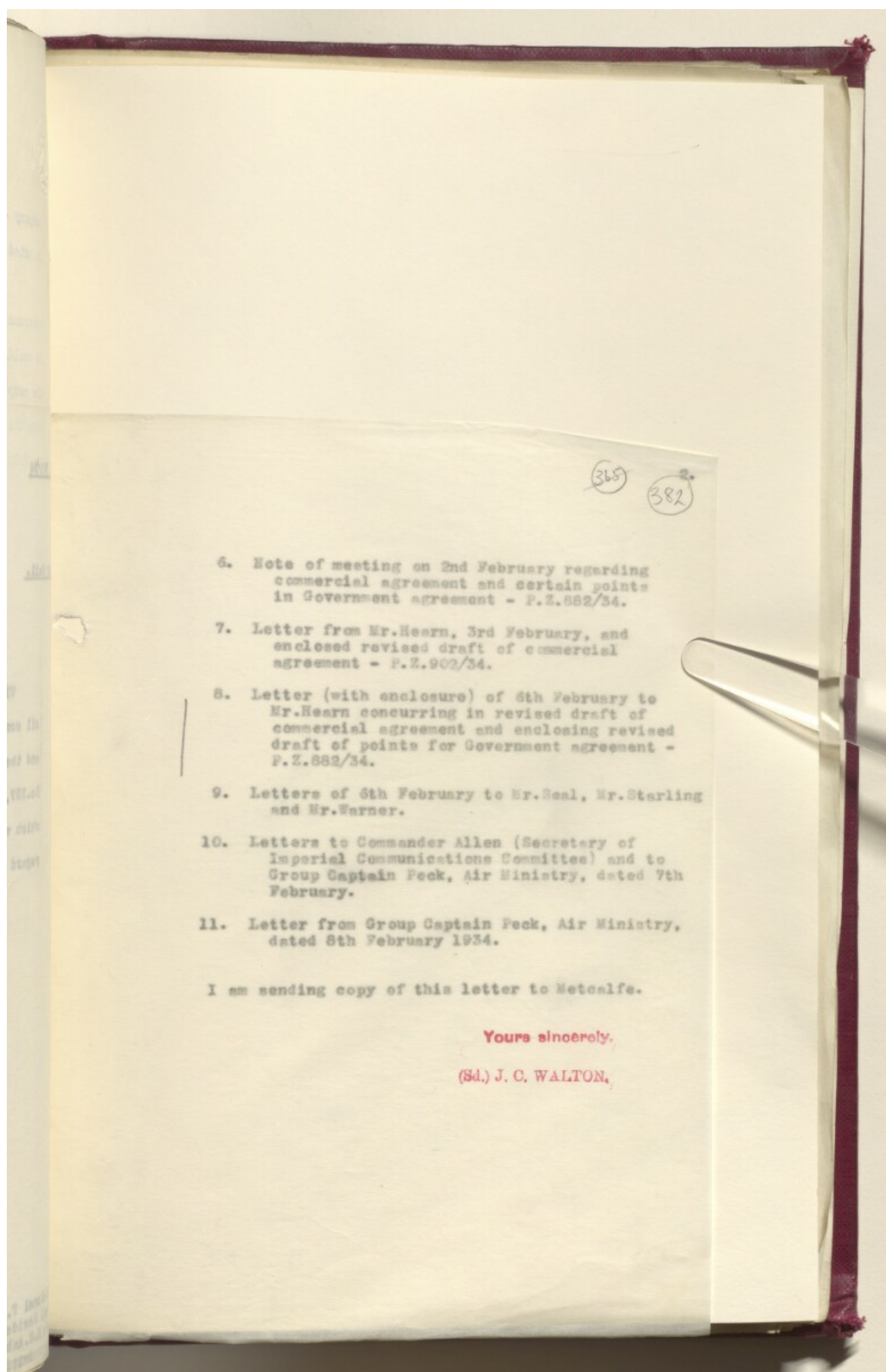
With reference to the papers regarding the Koweit oil concession sent to you by air mail of 12th January and the Secretary of State's telegram of 7th February, No.337, I enclose copy of the under-mentioned papers, which will explain in detail the present position in regard to the proposed concession:-

1. Letter to Mr. Fraser of 23rd January, 1934, and enclosed list of suggested points for inclusion in agreement between His Majesty's Government and Koweit Oil Company - P.Z. 569/34.
2. Record of meeting on 25th January regarding suggested points for above agreement - P.Z. 636/34.
3. Demi-official letter to Mr. Seal, Admiralty, 25th January.
4. Demi-official letter from Mr. Warner, 30th January.
5. Letter to Mr. Fraser, 30th January, suggesting amendments in draft of commercial agreement between the Company and the Sheikh (copy of which was sent to Bushire by air mail of 19th January) - P.Z. 723/34.

6./

Hon. Lt. Colonel T.C. Fowle, C.B.E.,
Political Resident in the Persian Gulf,
c/o H.M. Ambassador,
British Legation, Bagdad.



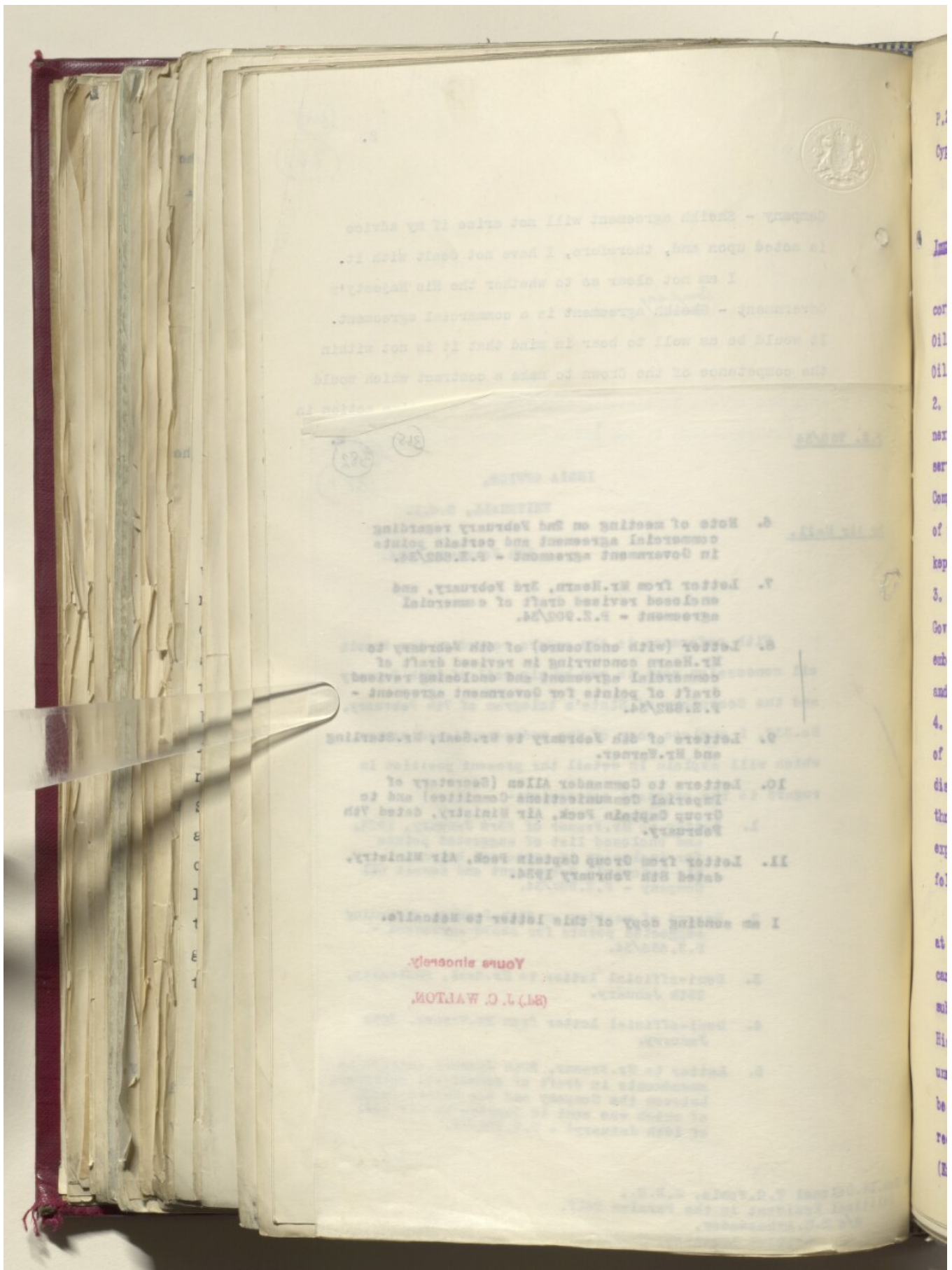


6. Note of meeting on 2nd February regarding commercial agreement and certain points in Government agreement - P.Z.882/34.
7. Letter from Mr.Hearn, 3rd February, and enclosed revised draft of commercial agreement - P.Z.902/34.
8. Letter (with enclosure) of 6th February to Mr.Hearn concurring in revised draft of commercial agreement and enclosing revised draft of points for Government agreement - P.Z.882/34.
9. Letters of 6th February to Mr.Seal, Mr.Starling and Mr.Warner.
10. Letters to Commander Allen (Secretary of Imperial Communications Committee) and to Group Captain Peck, Air Ministry, dated 7th February.
11. Letter from Group Captain Peck, Air Ministry, dated 8th February 1934.

I am sending copy of this letter to Metcalfe.

Yours sincerely,

(Sd.) J. C. WALTON,





Secret.

P.Z.780/34.

Cypher telegram from Secretary of State Addressed to Political Resident in Persian Gulf, Bushire, No. 337, Repeated to Government of India, Foreign and Political Dept., No. 338, Dated 7.2.34, No. of words 466 and 466.

Important. XXX

Your telegram 1st February No. 111 and connected correspondence. Negotiations have been proceeding with Koweit Oil Company controlled in equal shares by A.P.O.C. and Gulf Oil of U.S.A.

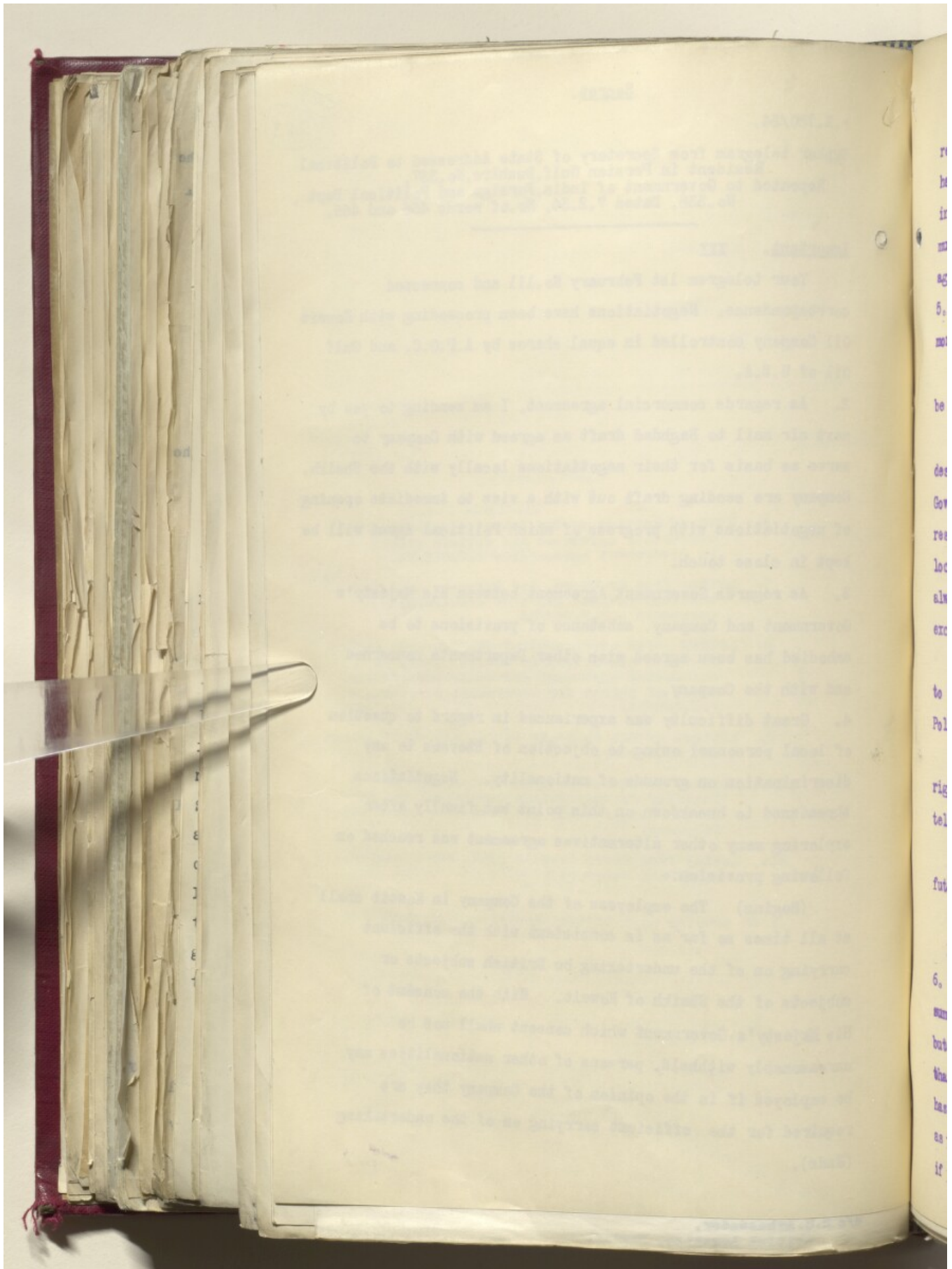
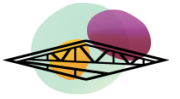
2. As regards commercial agreement, I am sending to you by next air mail to Baghdad draft as agreed with Company to serve as basis for their negotiations locally with the Sheikh. Company are sending draft out with a view to immediate opening of negotiations with progress of which Political Agent will be kept in close touch.

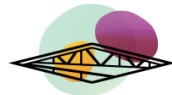
3. As regards Government Agreement between His Majesty's Government and Company, substance of provisions to be embodied has been agreed with other Departments concerned and with the Company.

4. Great difficulty was experienced in regard to question of local personnel owing to objection of Stevens to any discrimination on grounds of nationality. Negotiations threatened to breakdown on this point but finally after exploring many other alternatives agreement was reached on following provision:-

(Begins) The employees of the Company in Koweit shall at all times so far as is consistent with the efficient carrying on of the undertaking be British subjects or subjects of the Sheikh of Koweit. With the consent of His Majesty's Government which consent shall not be unreasonably withheld, persons of other nationalities may be employed if in the opinion of the Company they are required for the efficient carrying on of the undertaking (Ends).

I/





367 384
I consider that the above fully meets our essential requirements. Important point is that the Company will have to seek the consent of His Majesty's Government in regard to employment of foreigners, which makes it much stronger than corresponding provision in Bahrein agreement.

5. Among other provisions for Government agreement the more important may be briefly summarised as follows:-

(a) the importation of foreign native labour shall be subject to the approval of the Political Resident.

(b) One of the superior local employees to be designated, subject to the approval of His Majesty's Government chief local representative, to be ordinarily resident at Koweit and responsible for the Company's local relations with the Koweit authorities (which shall always be conducted through the Political Agent at Koweit except as regards routine business of minor importance).

(c) Subject to terms of the concession Company undertake to pay due deference to wishes of Sheikh and advice of Political Agent and Political Resident.

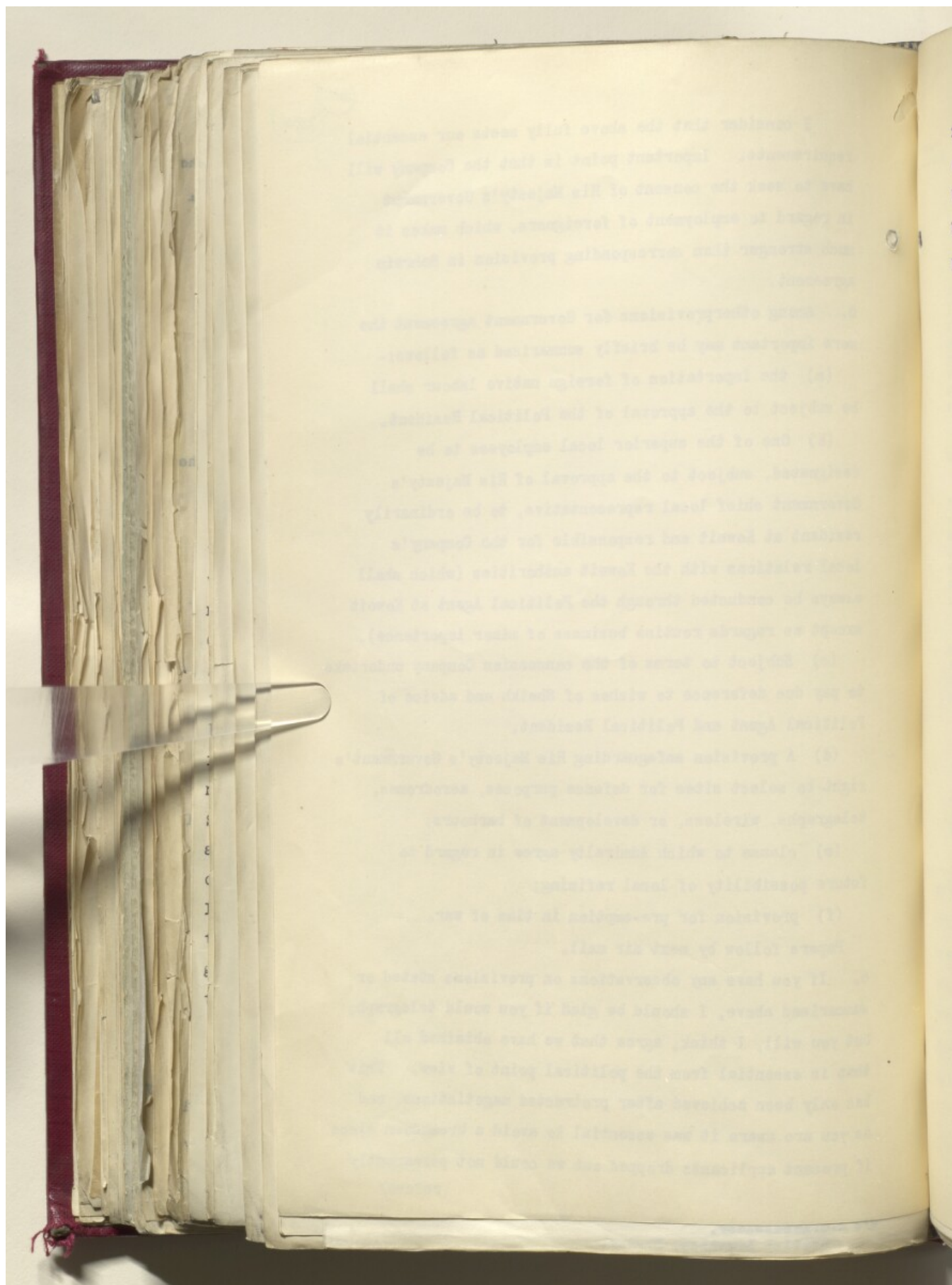
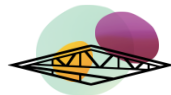
(d) A provision safeguarding His Majesty's Government's right to select sites for defence purposes, aerodromes, telegraphs, wireless, or development of harbours;

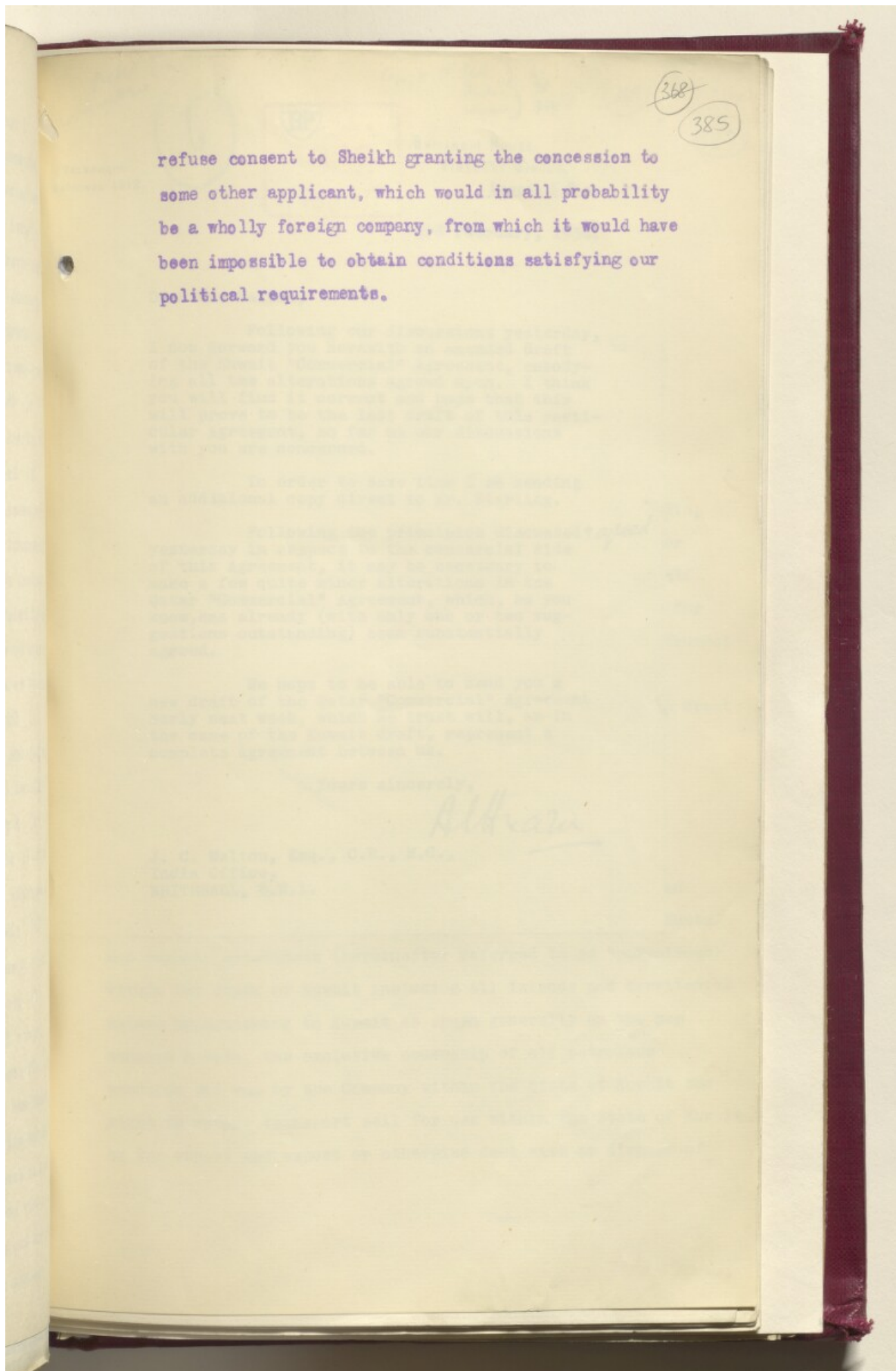
(e) clause to which Admiralty agree in regard to future possibility of local refining;

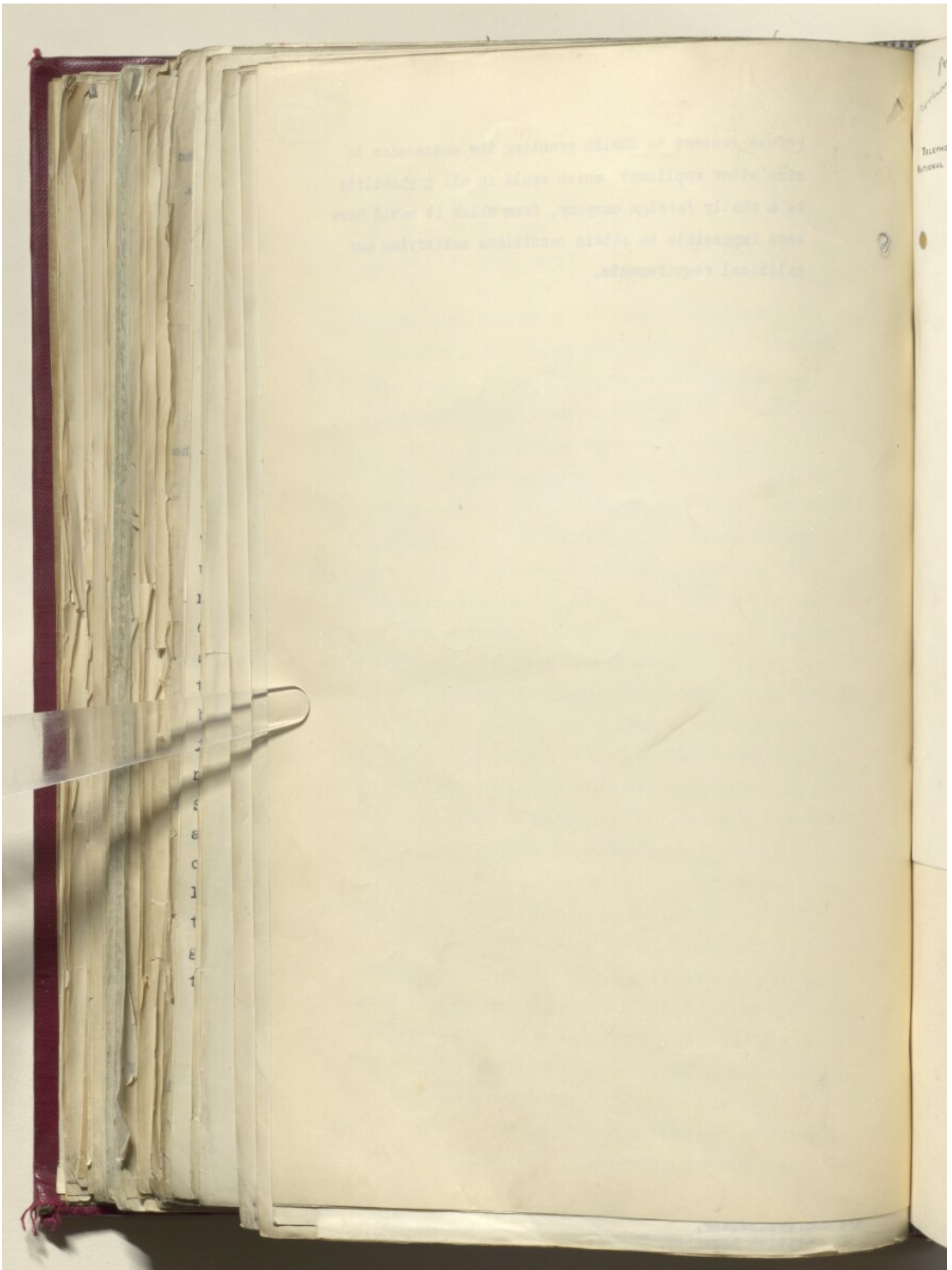
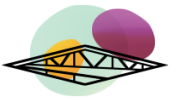
(f) provision for pre-emption in time of war.

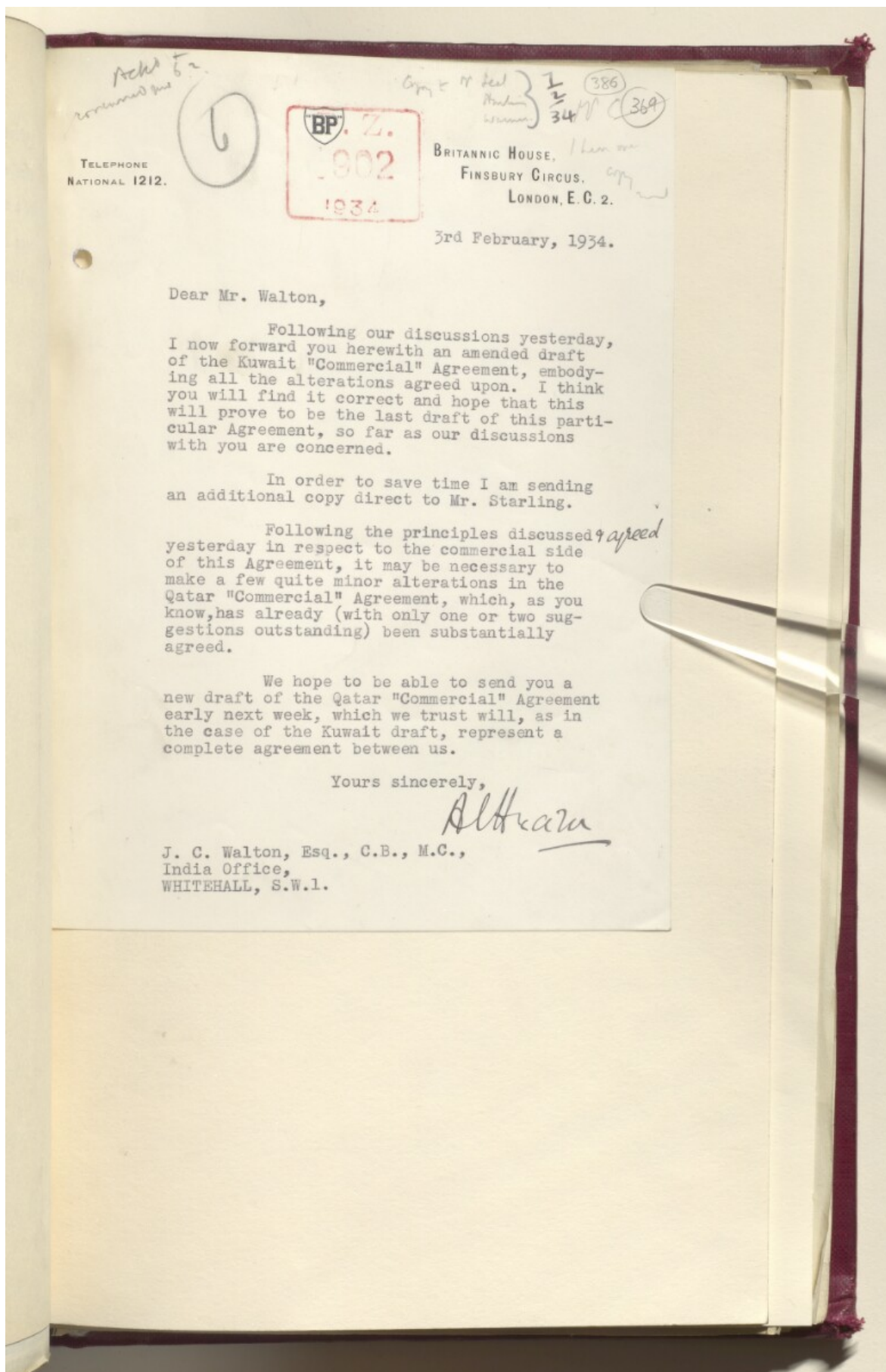
Papers follow by next air mail.

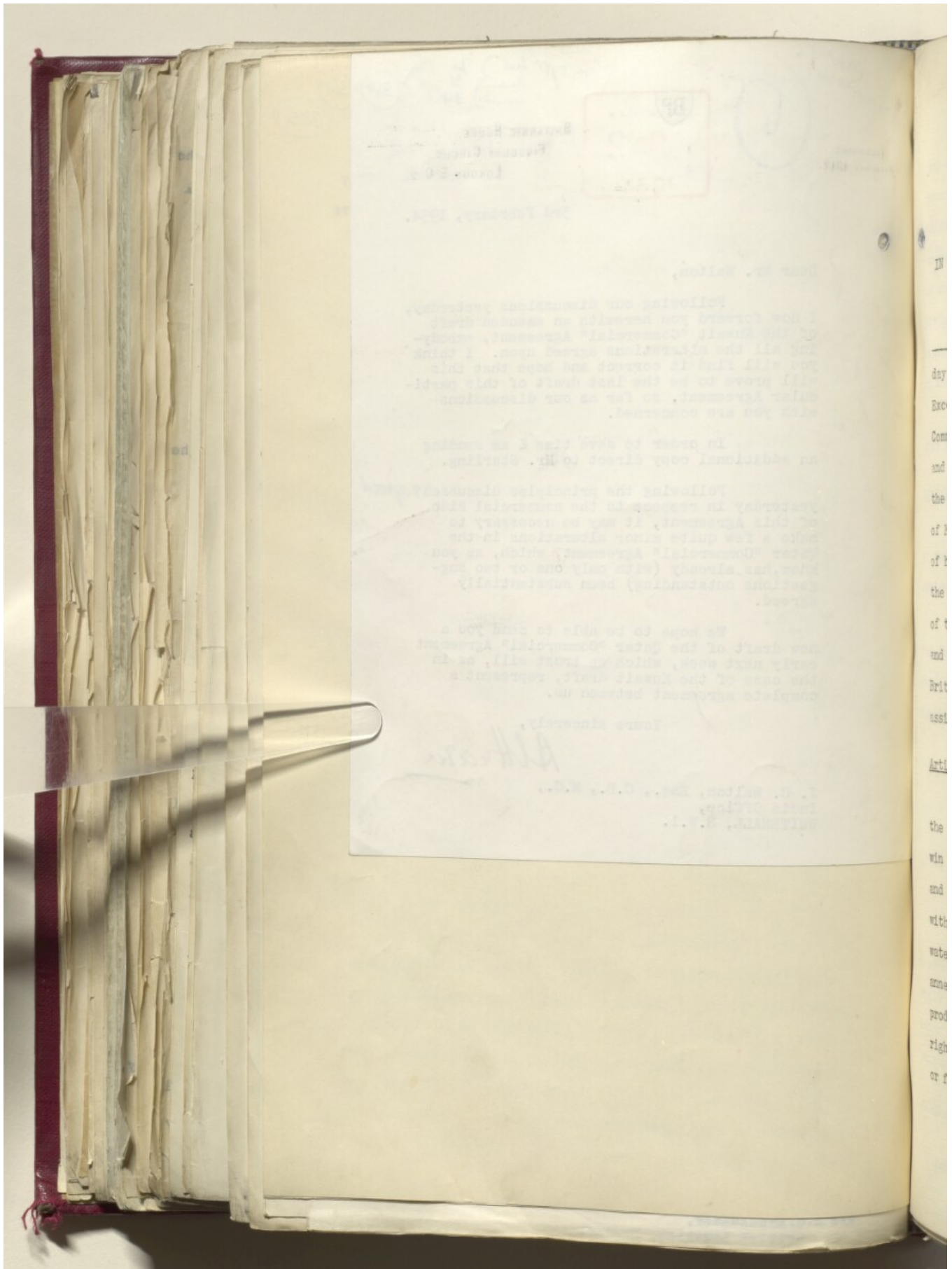
6. If you have any observations on provisions stated or summarised above, I should be glad if you would telegraph, but you will, I think, agree that we have obtained all that is essential from the political point of view. This has only been achieved after protracted negotiations, and as you are aware it was essential to avoid a breakdown since if present applicants dropped out we could not permanently refuse/

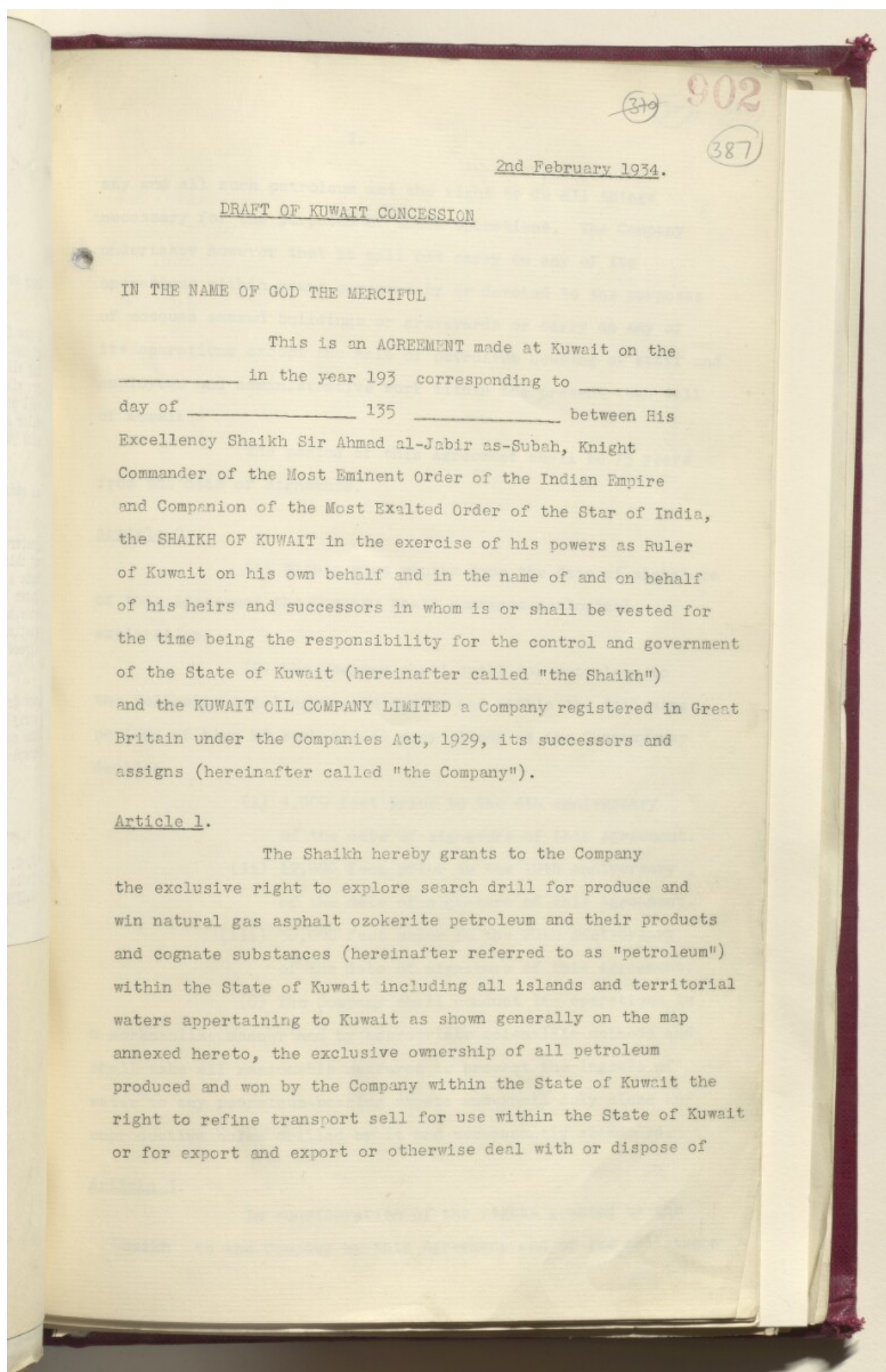


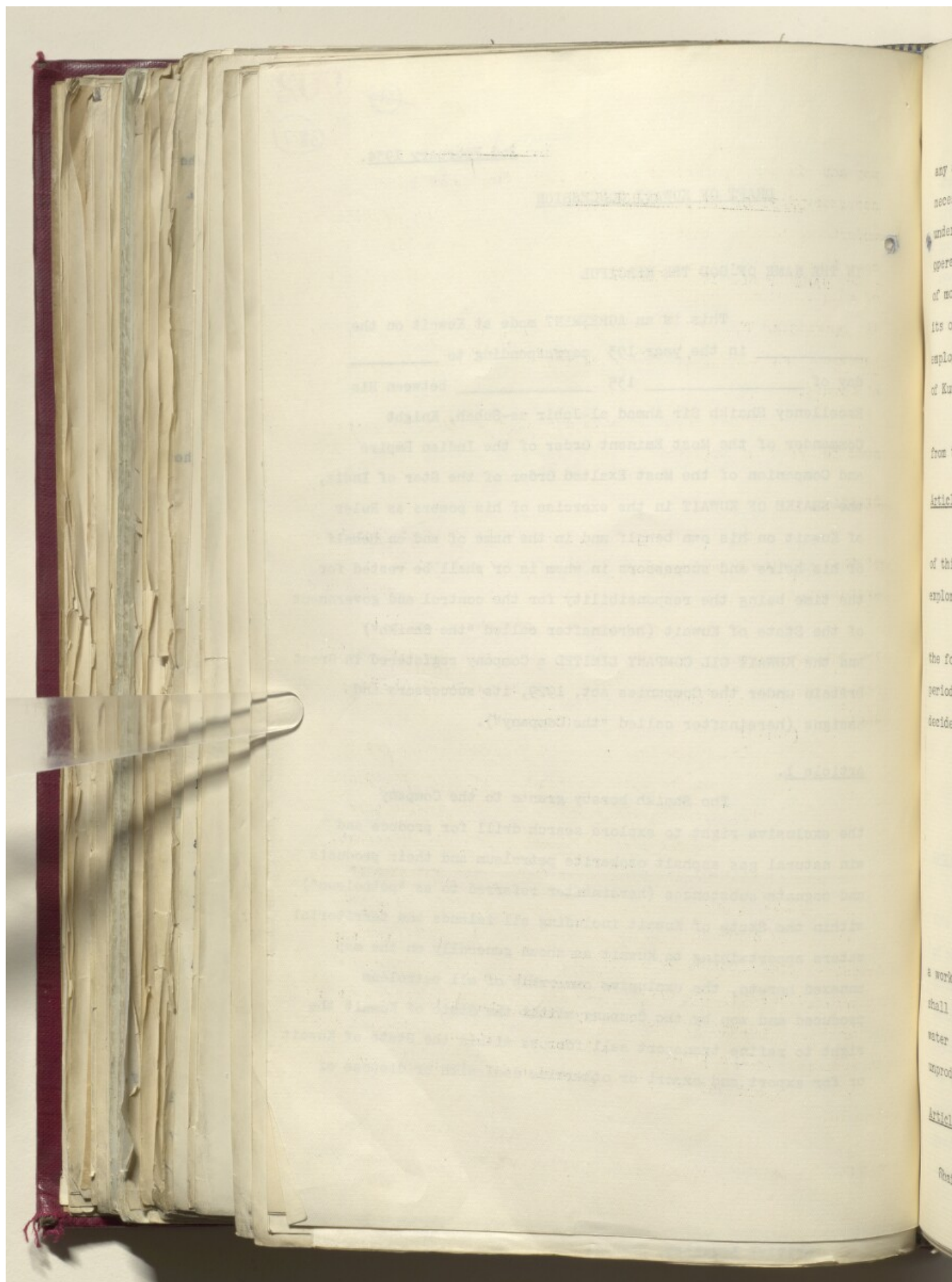














2.

any and all such petroleum and the right to do all things necessary for the purposes of those operations. The Company undertakes however that it will not carry on any of its operations within areas occupied by or devoted to the purposes of mosques sacred buildings or graveyards or carry on any of its operations except the sale of petroleum housing of staff and employees and administrative work within the present town wall of Kuwait.

The period of this Agreement shall be 75 years from the date of signature.

Article 2.

(A) Within nine months from the date of signature of this Agreement the Company shall commence geological exploration.

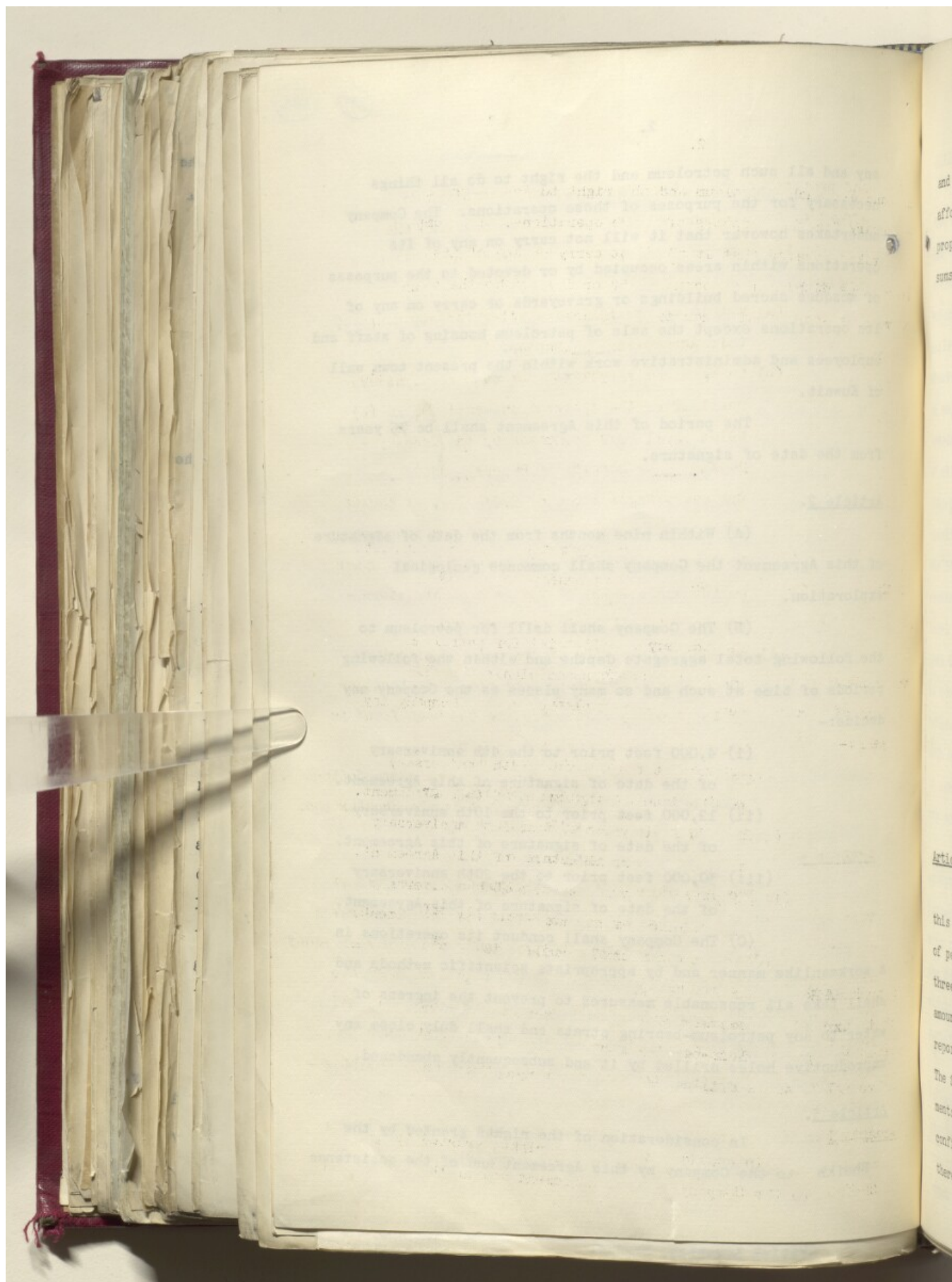
(B) The Company shall drill for petroleum to the following total aggregate depths and within the following periods of time at such and so many places as the Company may decide:-

- (i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.
- (ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.
- (iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

(C) The Company shall conduct its operations in a workmanlike manner and by appropriate scientific methods and shall take all reasonable measures to prevent the ingress of water to any petroleum-bearing strata and shall duly close any unproductive holes drilled by it and subsequently abandoned.

Article 3.

In consideration of the rights granted by the Shaikh to the Company by this Agreement and of the assistance





3.

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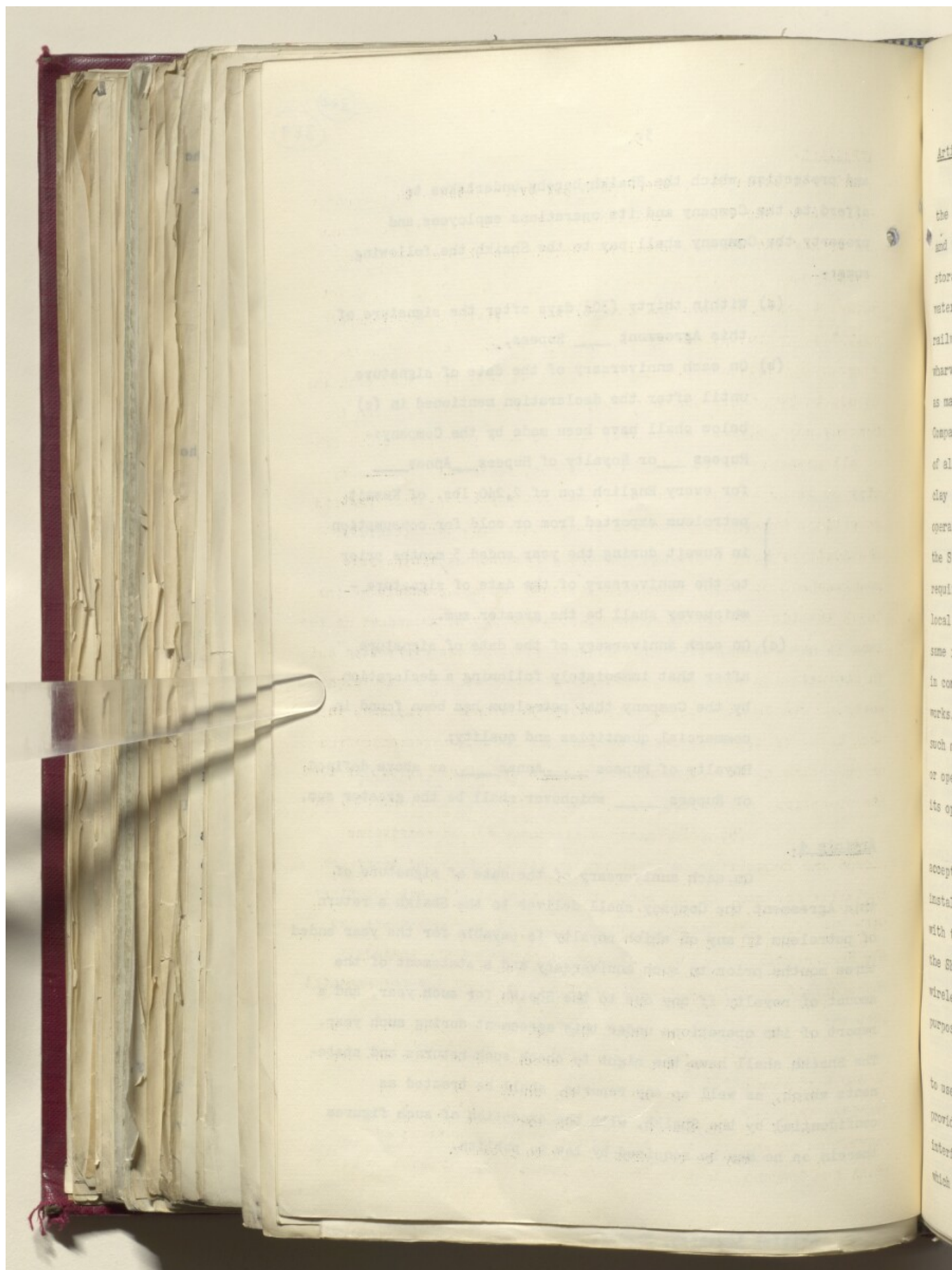
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and protection which the Shaikh hereby undertakes to afford to the Company and its operations employees and property the Company shall pay to the Shaikh the following sums:-

- (a) Within thirty (30) days after the signature of this Agreement ____ Rupees.
- (b) On each anniversary of the date of signature until after the declaration mentioned in (c) below shall have been made by the Company:-
Rupees ____ or Royalty of Rupees ____ Annas ____
for every English ton of 2,240 lbs. of Kuwait petroleum exported from or sold for consumption in Kuwait during the year ended 3 months prior to the anniversary of the date of signature - whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after that immediately following a declaration by the Company that petroleum has been found in commercial quantities and quality;
Royalty of Rupees ____ Annas ____ as above defined or Rupees ____ whichever shall be the greater sum.

Article 4.

On each anniversary of the date of signature of this Agreement the Company shall deliver to the Shaikh a return of petroleum if any on which royalty is payable for the year ended three months prior to such anniversary and a statement of the amount of royalty if any due to the Shaikh for such year, and a report of its operations under this agreement during such year. The Shaikh shall have the right to check such returns and statements which, as well as any reports, shall be treated as confidential by the Shaikh, with the exception of such figures therein as he may be required by law to publish.





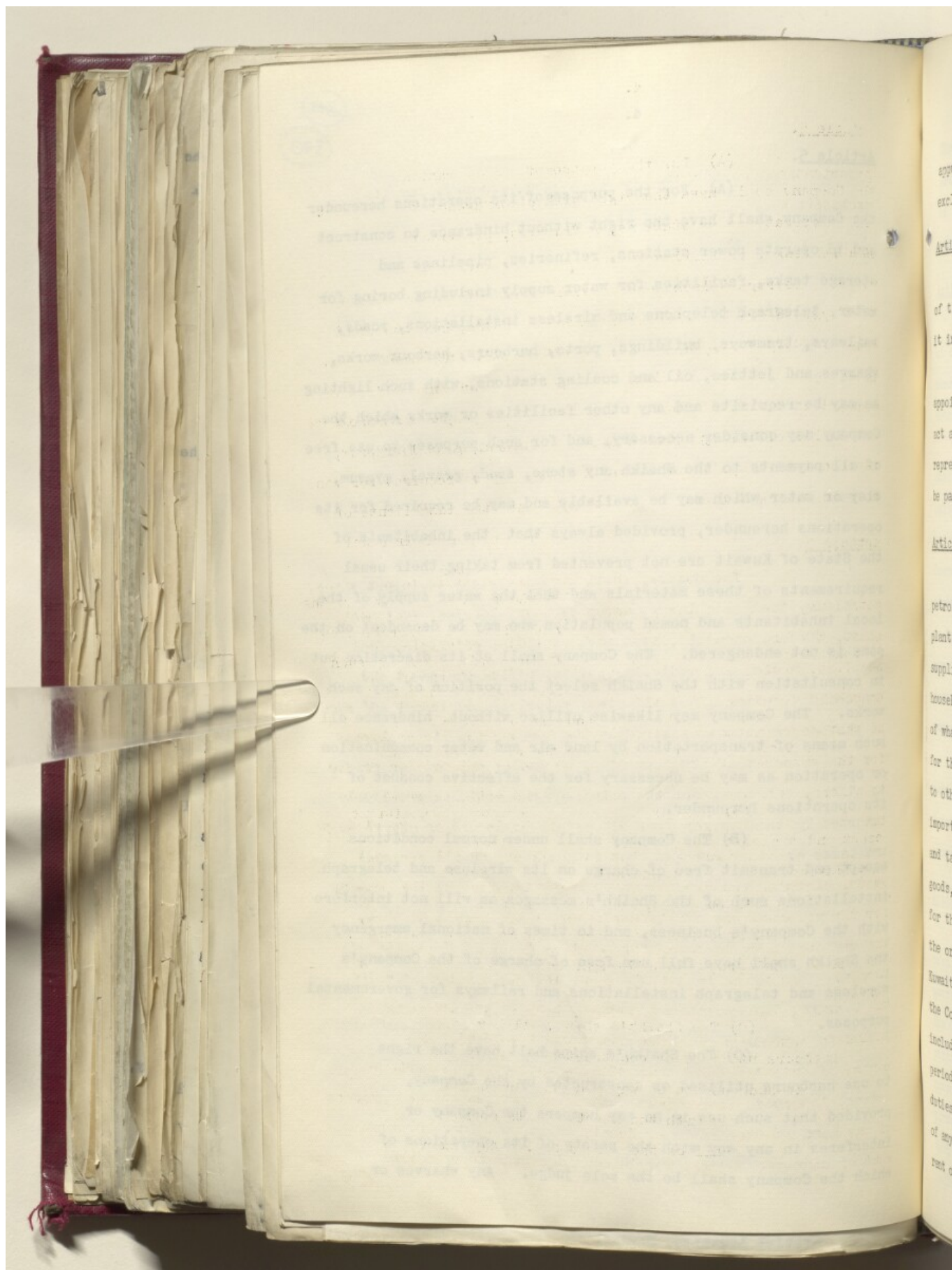
4.

Article 5.

(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary, and for such purposes to use free of all payments to the Shaikh any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the inhabitants of the State of Kuwait are not prevented from taking their usual requirements of these materials and that the water supply of the local inhabitants and nomad population who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Shaikh select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such of the Shaikh's messages as will not interfere with the Company's business, and in times of national emergency the Shaikh shall have full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes.

(C) The Shaikh's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or





5.

appurtenances constructed by the Company shall be for its exclusive use.

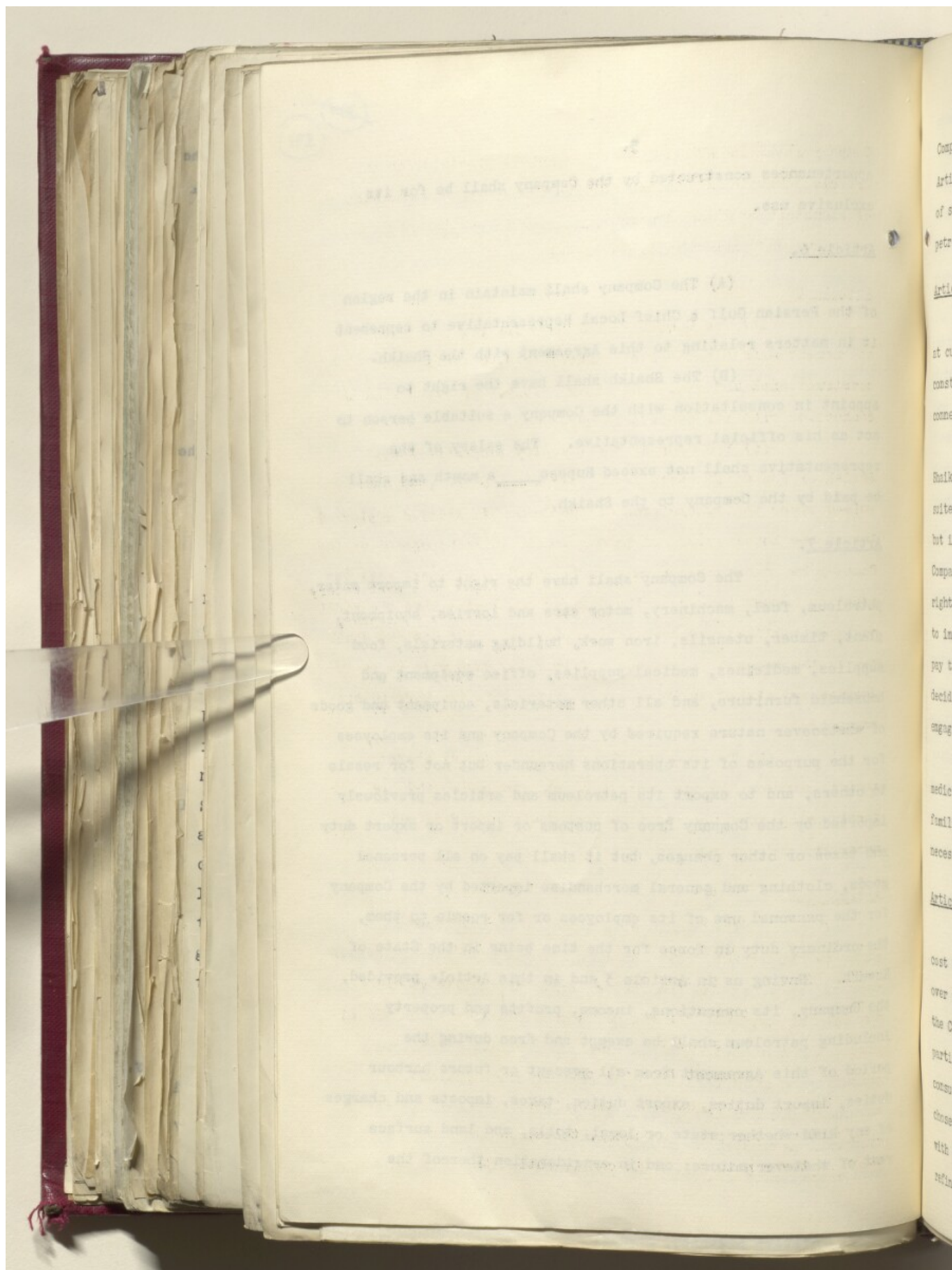
Article 6.

(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Shaikh.

(B) The Shaikh shall have the right to appoint in consultation with the Company a suitable person to act as his official representative. The salary of the representative shall not exceed Rupees _____ a month and shall be paid by the Company to the Shaikh.

Article 7.

The Company shall have the right to import water, petroleum, fuel, machinery, motor cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the





6.

Company shall in addition to the payments provided for in Article 3 pay to the Shaikh on each anniversary of the date of signature of this Agreement _____ annas per ton of petroleum on which royalty is payable.

Article 8.

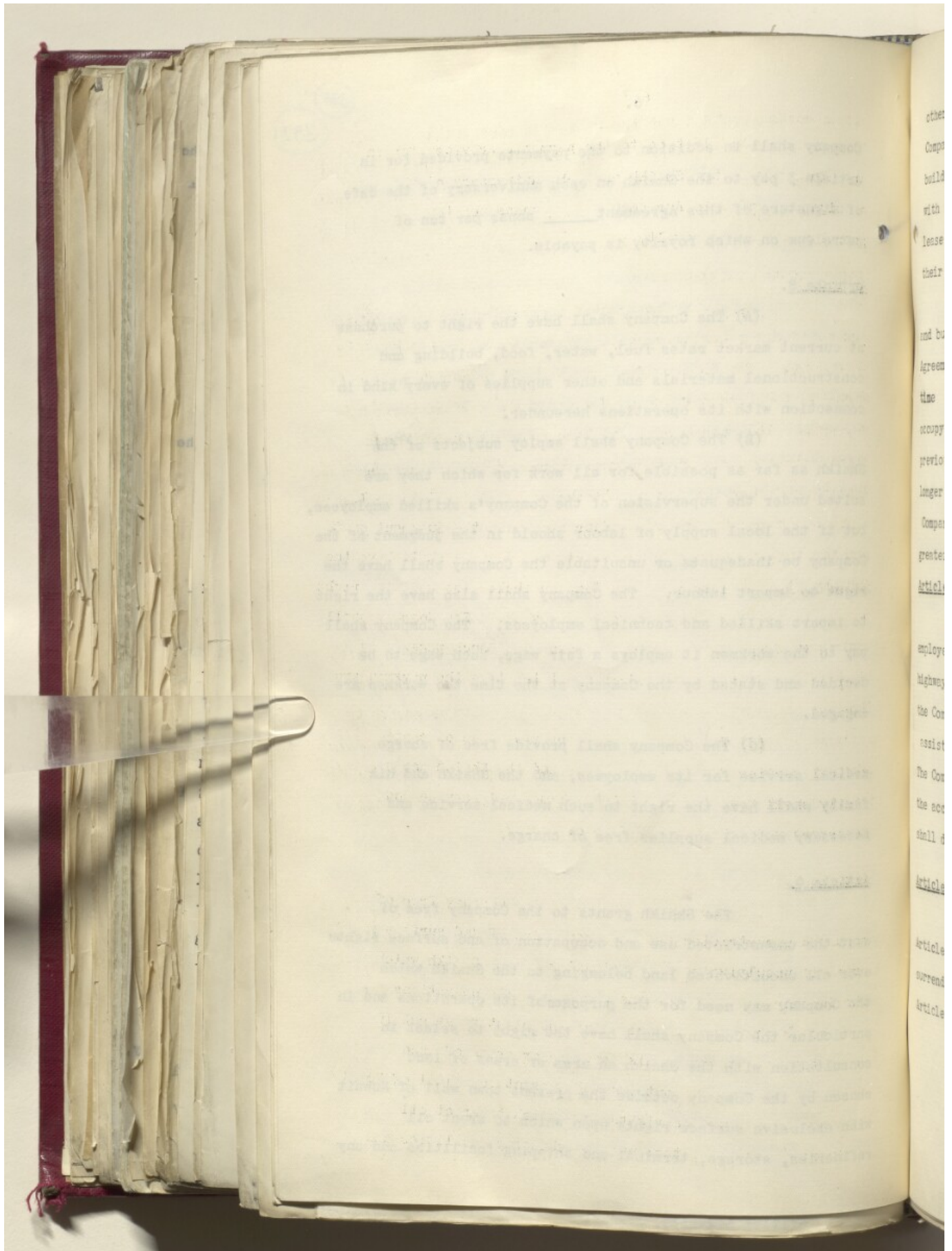
(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Shaikh as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right to import labour. The Company shall also have the right to import skilled and technical employees. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Shaikh and his family shall have the right to such medical service and necessary medical supplies free of charge.

Article 9.

The Shaikh grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Shaikh which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Shaikh an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any





7.

other works required for the Company's operations; and the Company may buy or lease for such purposes any lands houses or buildings with the consent of and on conditions to be arranged with the proprietors thereof but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities.

The Company shall acquire only such land houses and buildings as are necessary for its operations under this Agreement. The Company shall inform the Shaikh from time to time of the land houses and buildings which it requires to occupy for its operations; and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh at a cost which in any case shall not be greater than that paid by the Company.

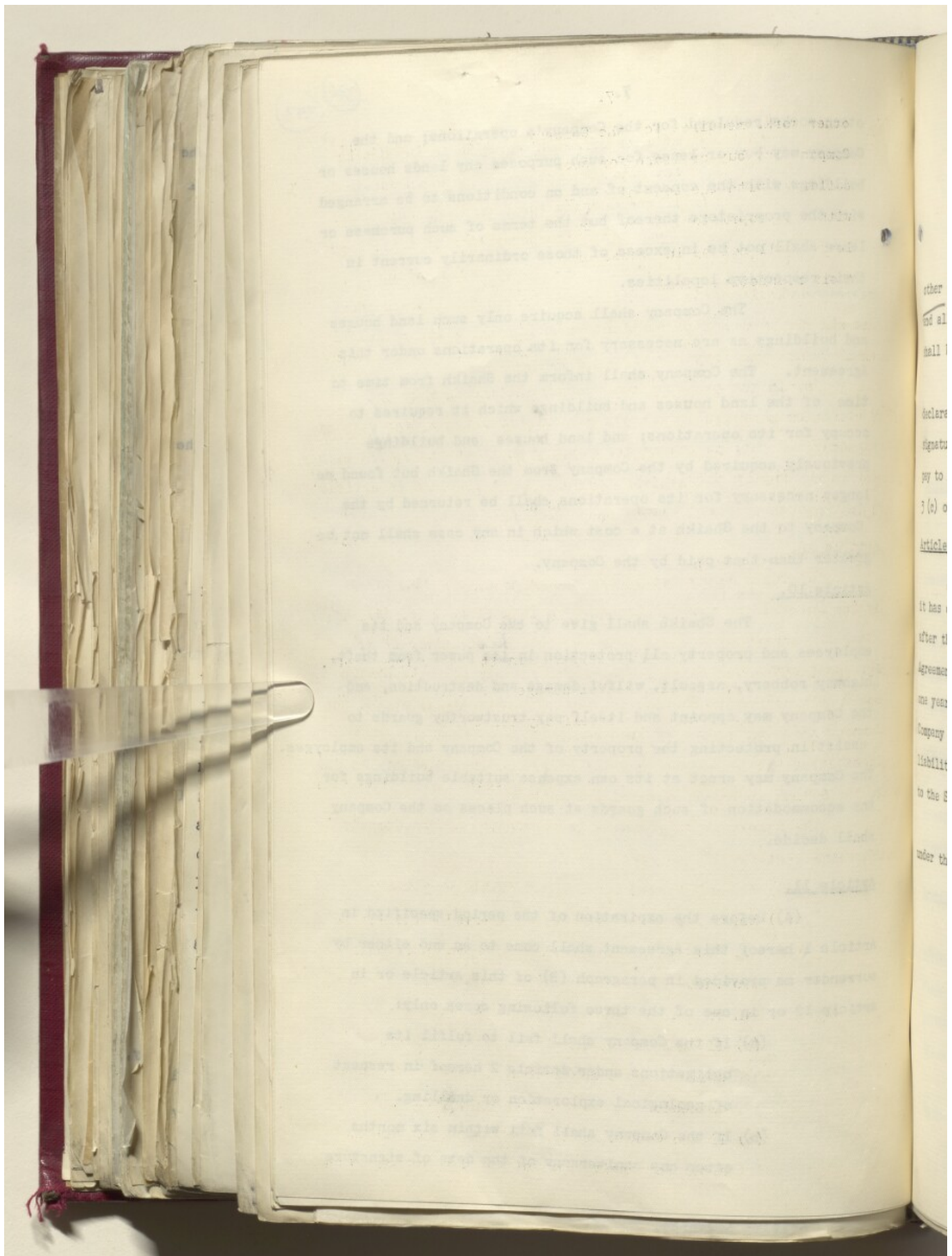
Article 10.

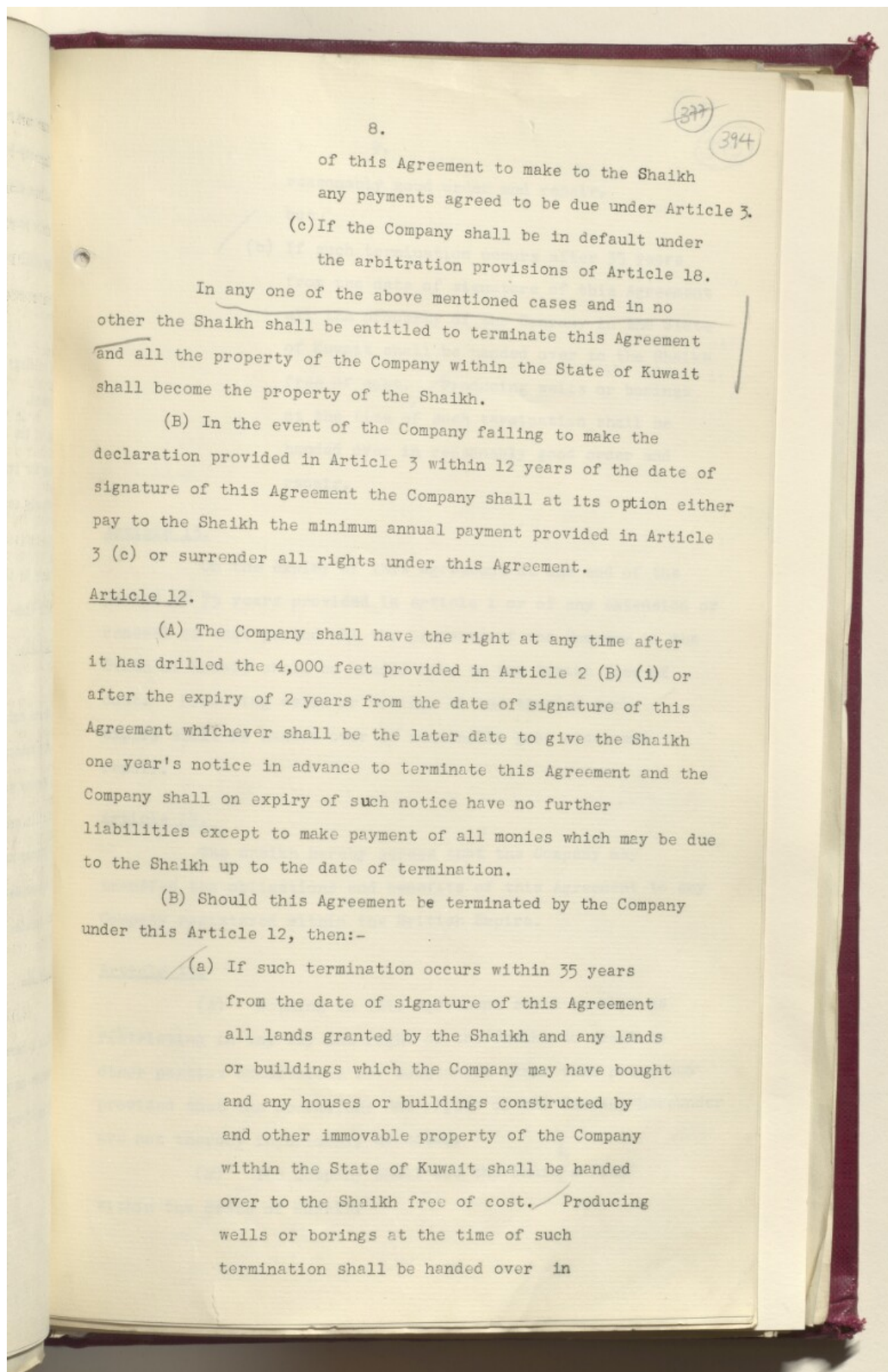
The Shaikh shall give to the Company and its employees and property all protection in ^{his} ~~its~~ power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint and itself pay trustworthy guards to assist in protecting the property of the Company and its employees. The Company may erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.

(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases only:

- (a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.
- (b) If the Company shall fail within six months after any anniversary of the date of signature





8.

of this Agreement to make to the Shaikh
any payments agreed to be due under Article 3.
(c) If the Company shall be in default under
the arbitration provisions of Article 18.

In any one of the above mentioned cases and in no
other the Shaikh shall be entitled to terminate this Agreement
and all the property of the Company within the State of Kuwait
shall become the property of the Shaikh.

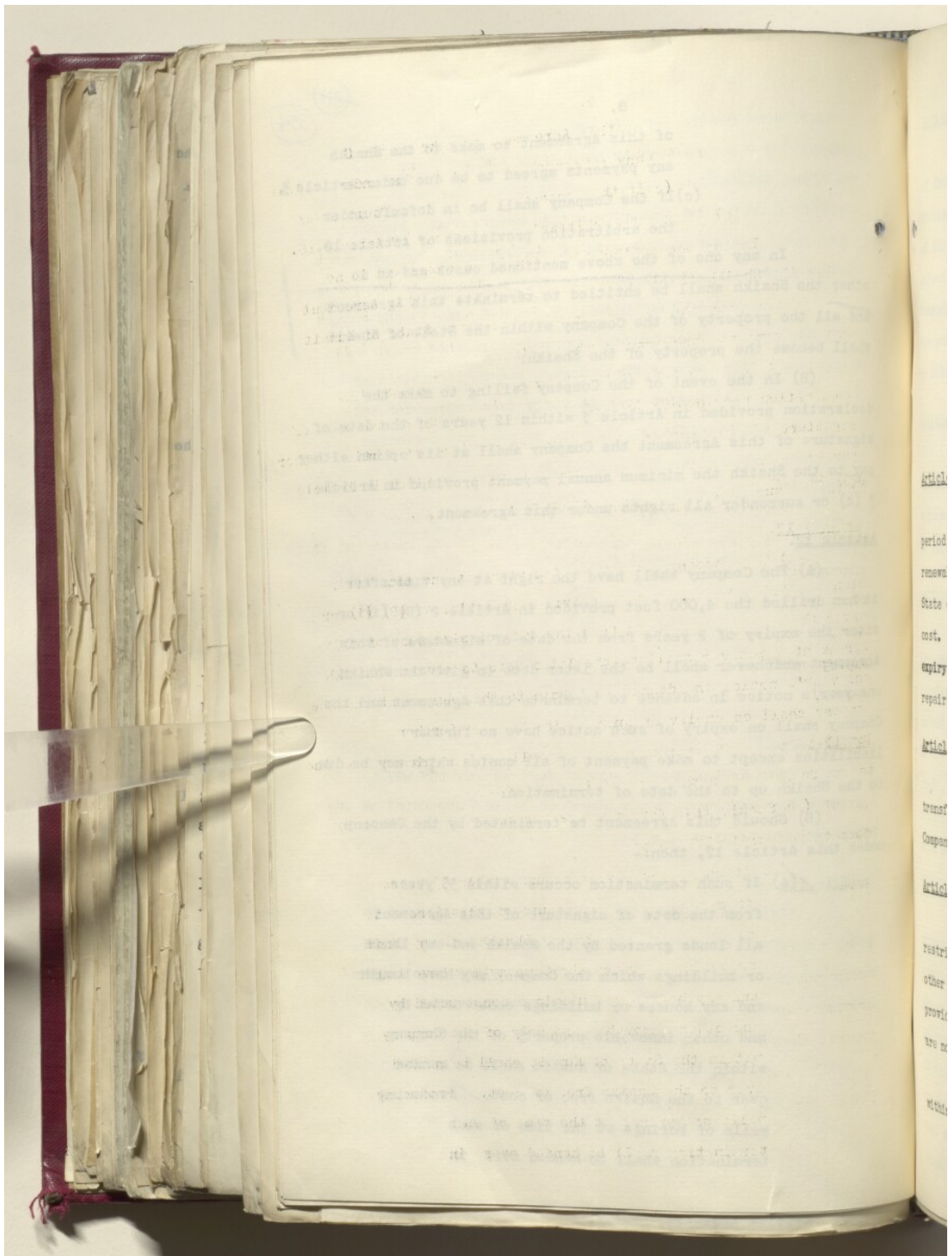
(B) In the event of the Company failing to make the
declaration provided in Article 3 within 12 years of the date of
signature of this Agreement the Company shall at its option either
pay to the Shaikh the minimum annual payment provided in Article
3 (c) or surrender all rights under this Agreement.

Article 12.

(A) The Company shall have the right at any time after
it has drilled the 4,000 feet provided in Article 2 (B) (1) or
after the expiry of 2 years from the date of signature of this
Agreement whichever shall be the later date to give the Shaikh
one year's notice in advance to terminate this Agreement and the
Company shall on expiry of such notice have no further
liabilities except to make payment of all monies which may be due
to the Shaikh up to the date of termination.

(B) Should this Agreement be terminated by the Company
under this Article 12, then:-

(a) If such termination occurs within 35 years
from the date of signature of this Agreement
all lands granted by the Shaikh and any lands
or buildings which the Company may have bought
and any houses or buildings constructed by
and other immovable property of the Company
within the State of Kuwait shall be handed
over to the Shaikh free of cost. Producing
wells or borings at the time of such
termination shall be handed over in





9.

reasonably good order and repair.

but

- (b) If such termination occurs after 35 years from the date of signature of this Agreement all the property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair.

Article 13.

On the expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the property of the Company in the State of Kuwait shall be handed over to the Shaikh free of cost. Producing wells or borings at the time of such expiry shall be handed over in reasonably good order and repair.

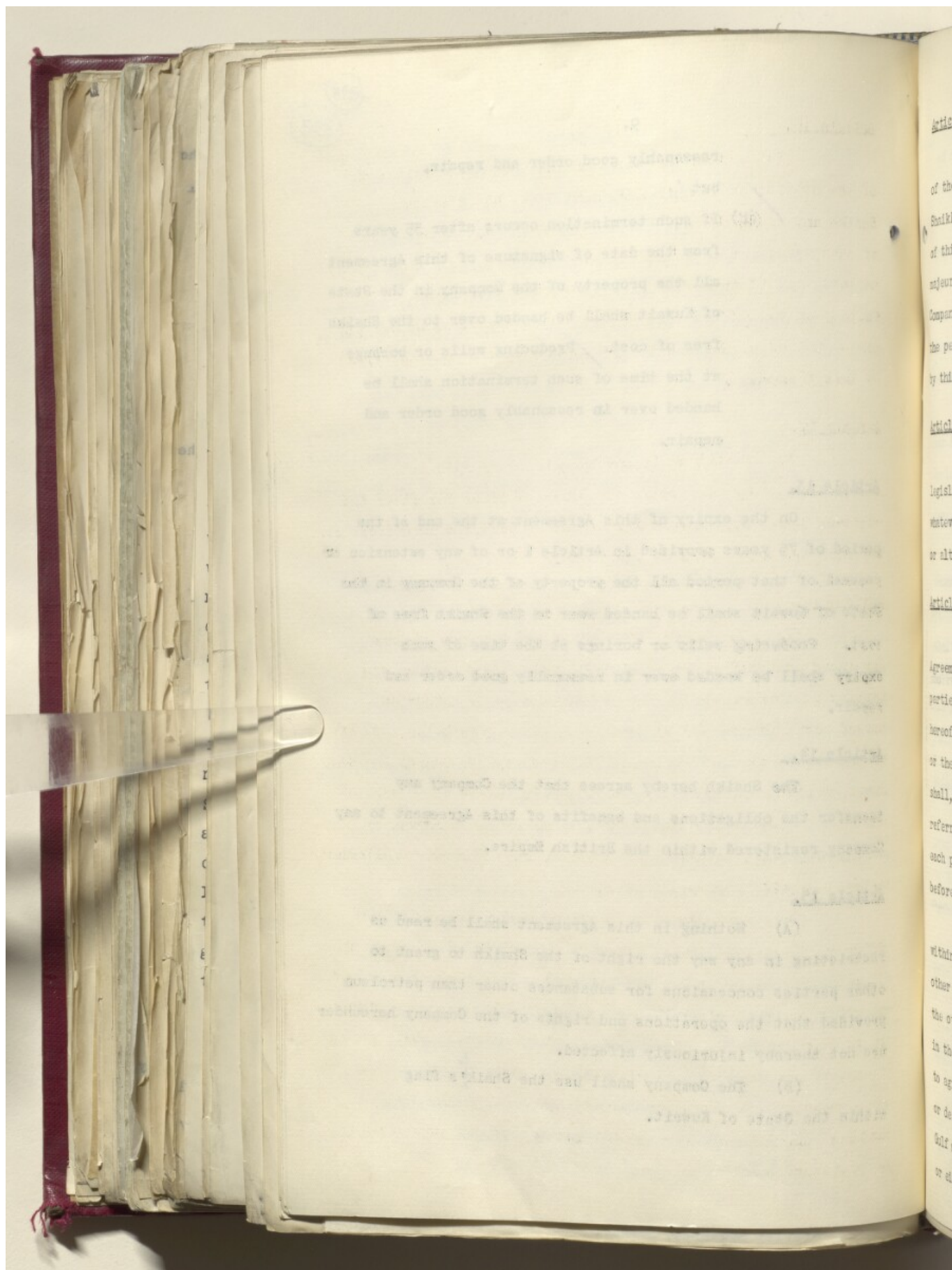
Article 14.

The Shaikh hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered within the British Empire.

Article 15.

(A) Nothing in this Agreement shall be read as restricting in any way the right of the Shaikh to grant to other parties concessions for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

(B) The Company shall use the Shaikh's flag within the State of Kuwait.





10.

Article 16.

Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Shaikh any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.

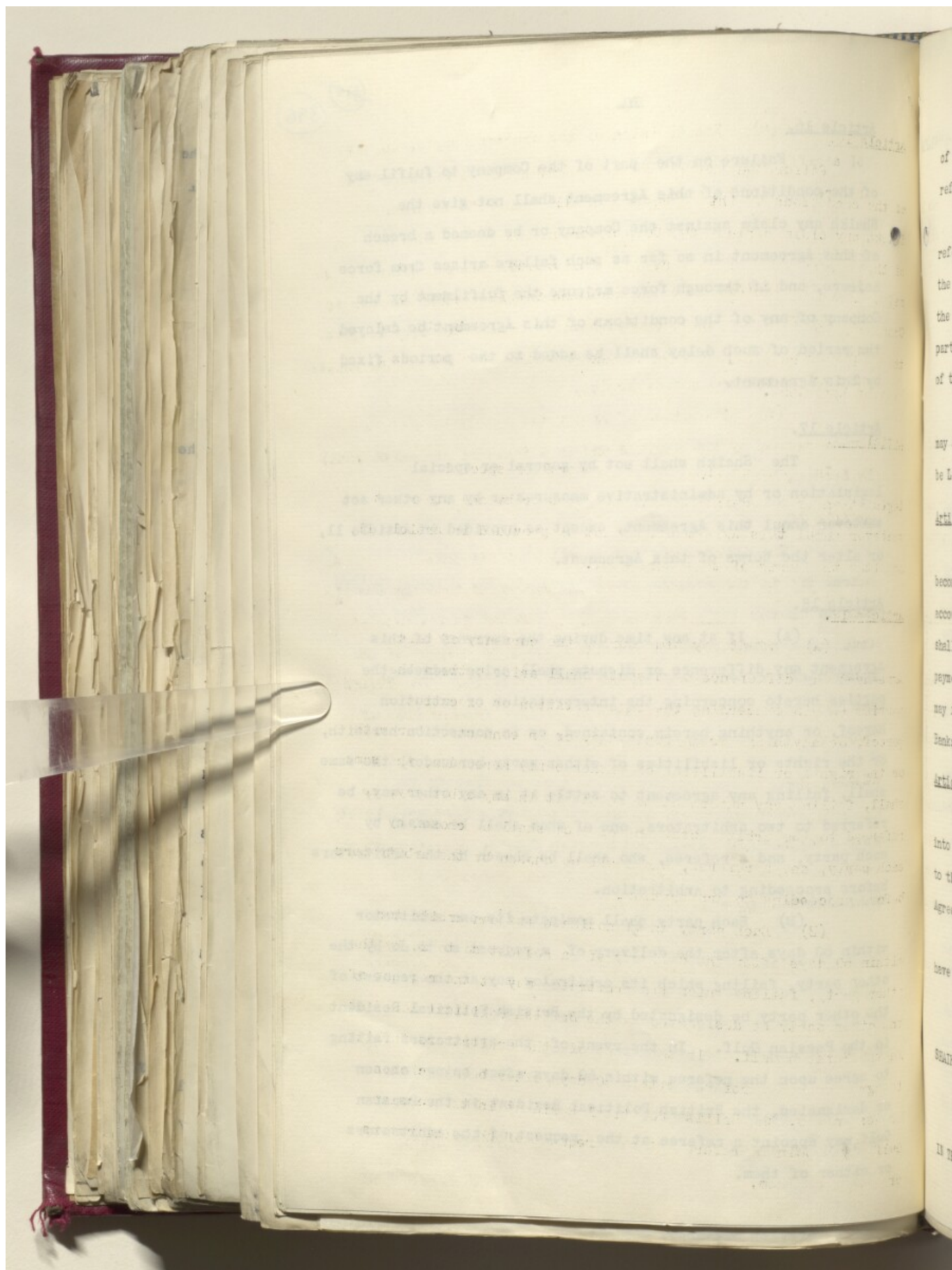
Article 17.

The Shaikh shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement, except as provided in Article 11, or alter the terms of this Agreement.

Article 18.

(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained, or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party, failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.





11.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.

(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19.

The Company shall make all payments that become due to the Shaikh under this Agreement into the Shaikh's account at the _____ Bank in _____ and the Bank's receipt shall be a full discharge for the Company in respect of the payment of the sum stated in the Bank's receipt. The Shaikh may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20.

This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

In witness whereof the parties to this Agreement have set their hands the day and year first above written

SHAIKH OF KUWAIT

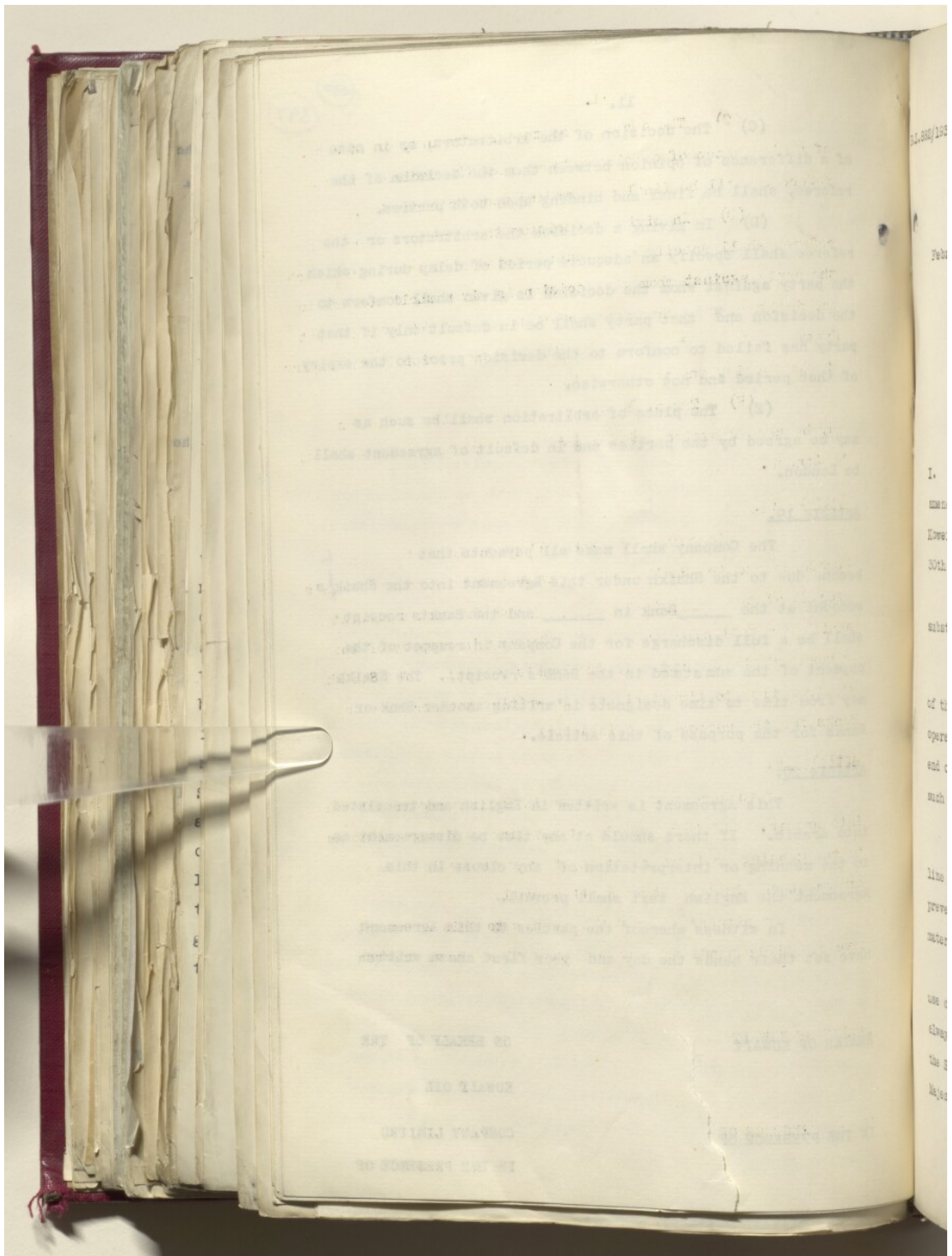
ON BEHALF OF THE

KUWAIT OIL

IN THE PRESENCE OF

COMPANY LIMITED

IN THE PRESENCE OF





P.Z.882/1934.

NOTE

A meeting was held at the India Office on 2nd February with representatives of the Koweit Oil Company.

Present: Sir Louis Kershaw (in the Chair)

Mr. F.C.Starling, Petroleum Department.

Mr. J.C.Walton }
Mr. J.G.Laithwaite } India Office
Mr. G.E.Crombie }

Mr. Fraser }
Mr. Hearn } Koweit Oil Company
Mr. Stevens }

I. The following conclusions were reached in regard to amendments suggested by His Majesty's Government in the draft Koweit Commercial Agreement (cf. Mr. Walton's letter of 30th January to Mr. Fraser, No.P.Z.723/34).

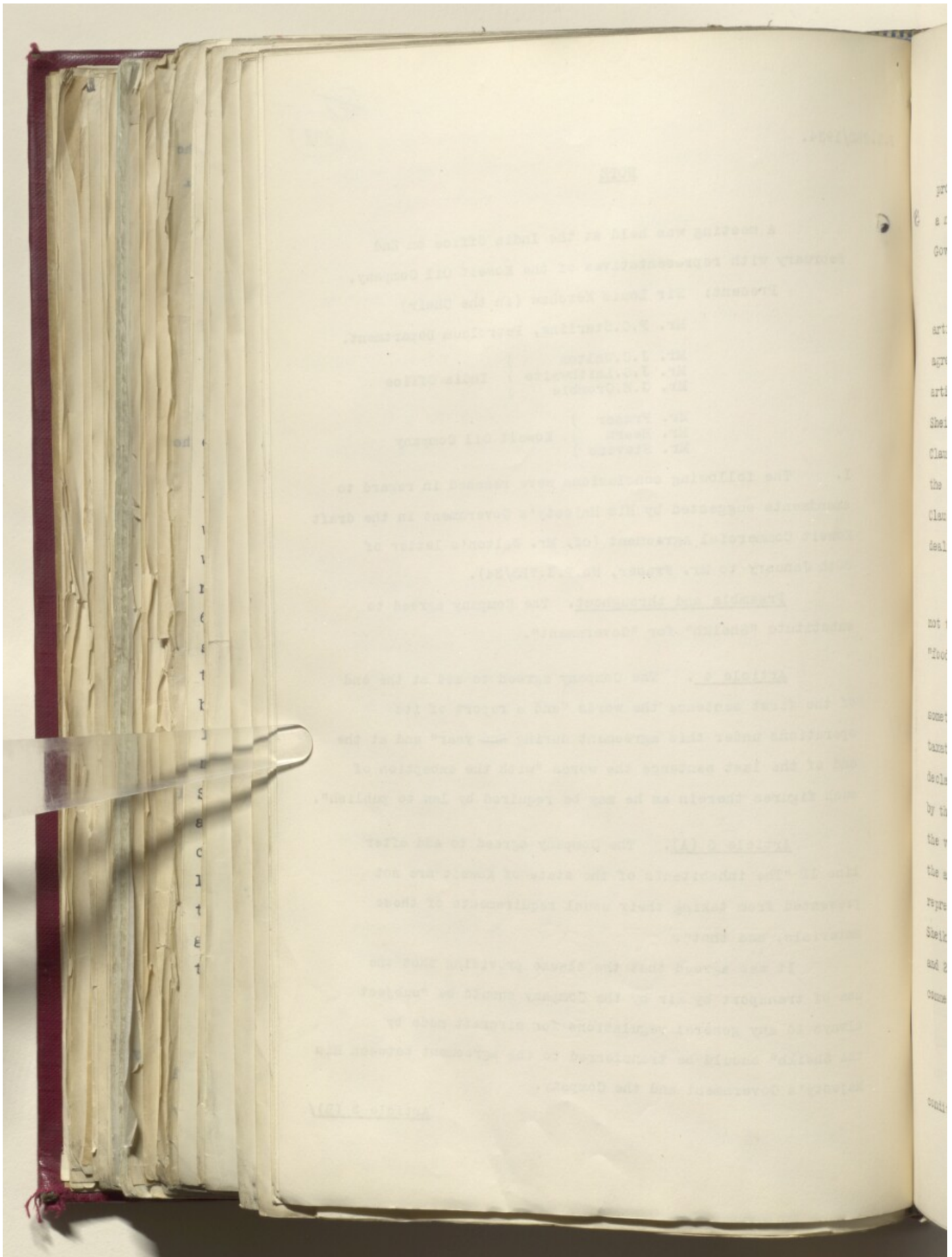
Preamble and throughout. The Company agreed to substitute "Sheikh" for "Government".

Article 4. The Company agreed to add at the end of the first sentence the words "and a report of its operations under this agreement during ~~the~~ year" and at the end of the last sentence the words "with the exception of such figures therein as he may be required by law to publish".

Article 5 (A). The Company agreed to add after line 12 "The inhabitants of the state of Koweit are not prevented from taking their usual requirements of these materials, and that".

It was agreed that the clause providing that the use of transport by air by the Company should be "subject always to any general regulations for aircraft made by the Sheikh" should be transferred to the agreement between His Majesty's Government and the Company.

Article 5 (B)/





2.

Article 5 (B). It was agreed that the clause providing that the Sheikh should be the sole judge whether a national emergency existed should be transferred to the Government agreement.

Article 6 (B) In view of the fact that the article would be qualified by Clause 4 of the Government agreement the Government representatives agreed to this article with the addition at the end of the words "to the Sheikh". It was agreed that a sentence should be added in Clause 4 of the Government agreement to the effect that the arrangement contemplated in the second sentence of the Clause would not prevent the Sheikh's representative from dealing direct with the Company on minor routine matters.

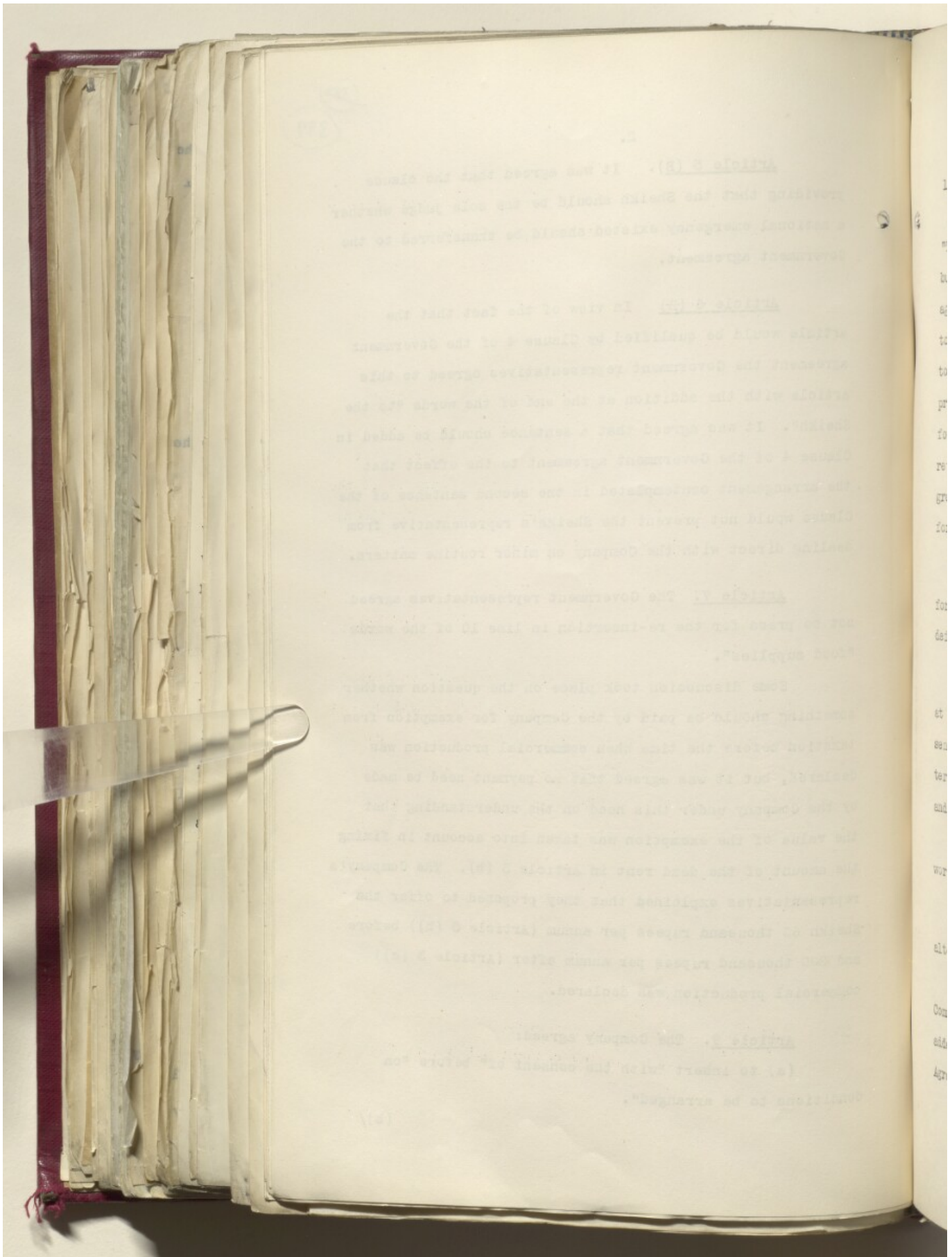
Article 7. The Government representatives agreed not to press for the re-insertion in line 10 of the words "food supplies".

Some discussion took place on the question whether something should be paid by the Company for exemption from taxation before the time when commercial production was declared, but it was agreed that no payment need be made by the Company under this head on the understanding that the value of the exemption was taken into account in fixing the amount of the dead rent in Article 3 (b). The Company's representatives explained that they proposed to offer the Sheikh 65 thousand rupees per annum (Article 3 (b)) before and 200 thousand rupees per annum after (Article 3 (c)) commercial production was declared.

Article 9. The Company agreed:

(a) to insert "with the consent of" before "on conditions to be arranged".

(b)/





3.

(b) to substitute "the terms of such purchase or lease shall not be" for the words "at rates not".

(c) and to add at the end of the article:-

"The Company shall acquire only such land, houses and buildings as are necessary for its operations under this agreement. The Company shall inform the Sheikh from time to time of the land, houses and buildings which it requires to occupy for its operations, and land, houses and buildings previously acquired by the Company from the Sheikh but found no longer necessary for its operations shall be returned by the Company to the Sheikh at a price not greater than the price previously paid by the Company for them".

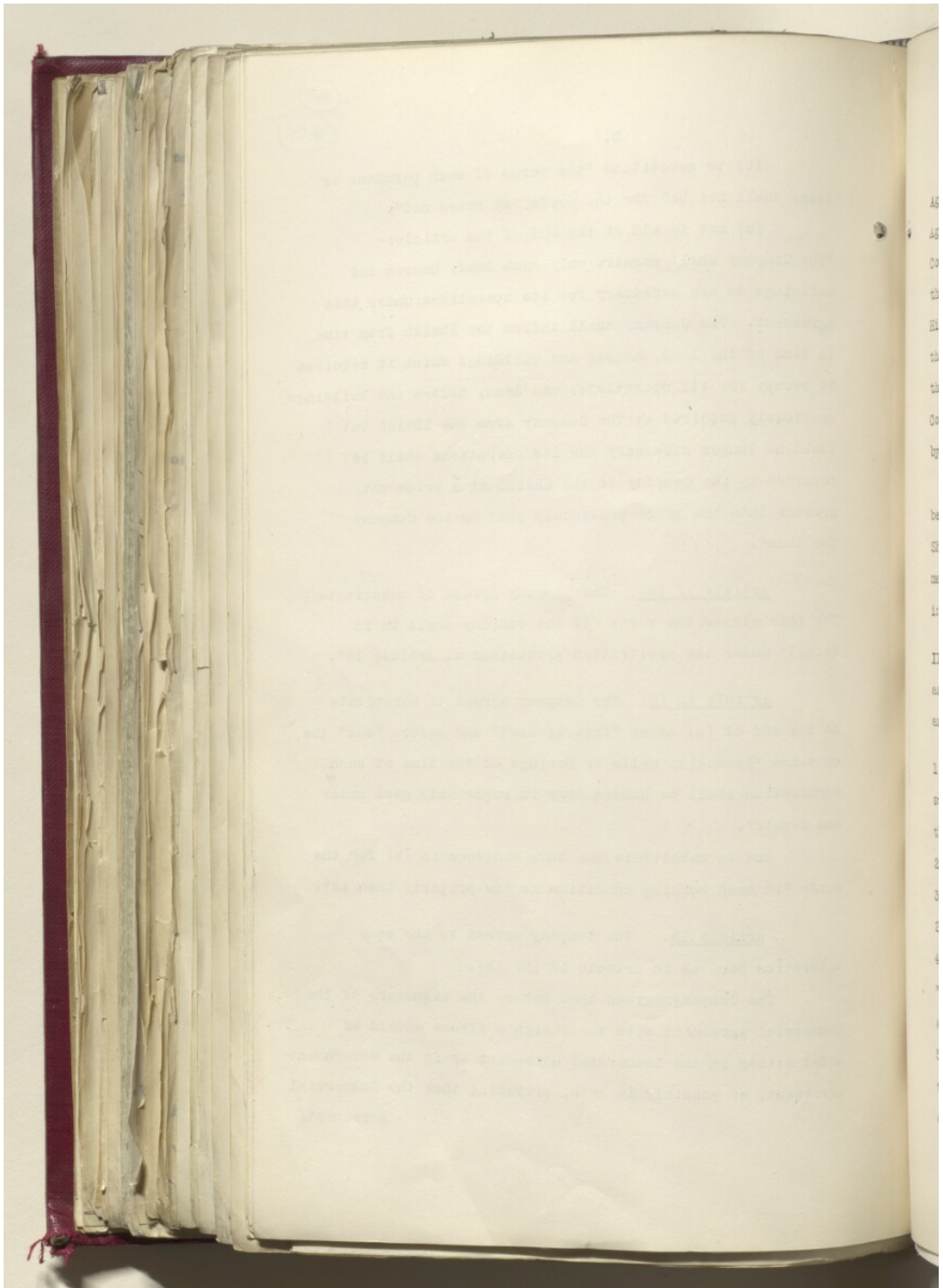
Article 11 (c) The Company agreed to substitute for this clause the words "If the Company shall be in default under the arbitration provisions of Article 18".

Article 12 (B) The Company agreed to substitute at the end of (a) after "free of cost" and before "but" the sentence "Producing wells or borings at the time of such termination shall be handed over in reasonably good order and repair",

and to substitute the same sentence in (b) for the words "in such working condition as the property then is".

Article 13. The Company agreed to the same alteration here as in Article 12 (B) (b).

The Company agreed that before the signature of the Commercial Agreement with the Sheikh a clause should be added either in the Commercial Agreement or in the Government Agreement, or possibly in both, providing that the Commercial Agreement/





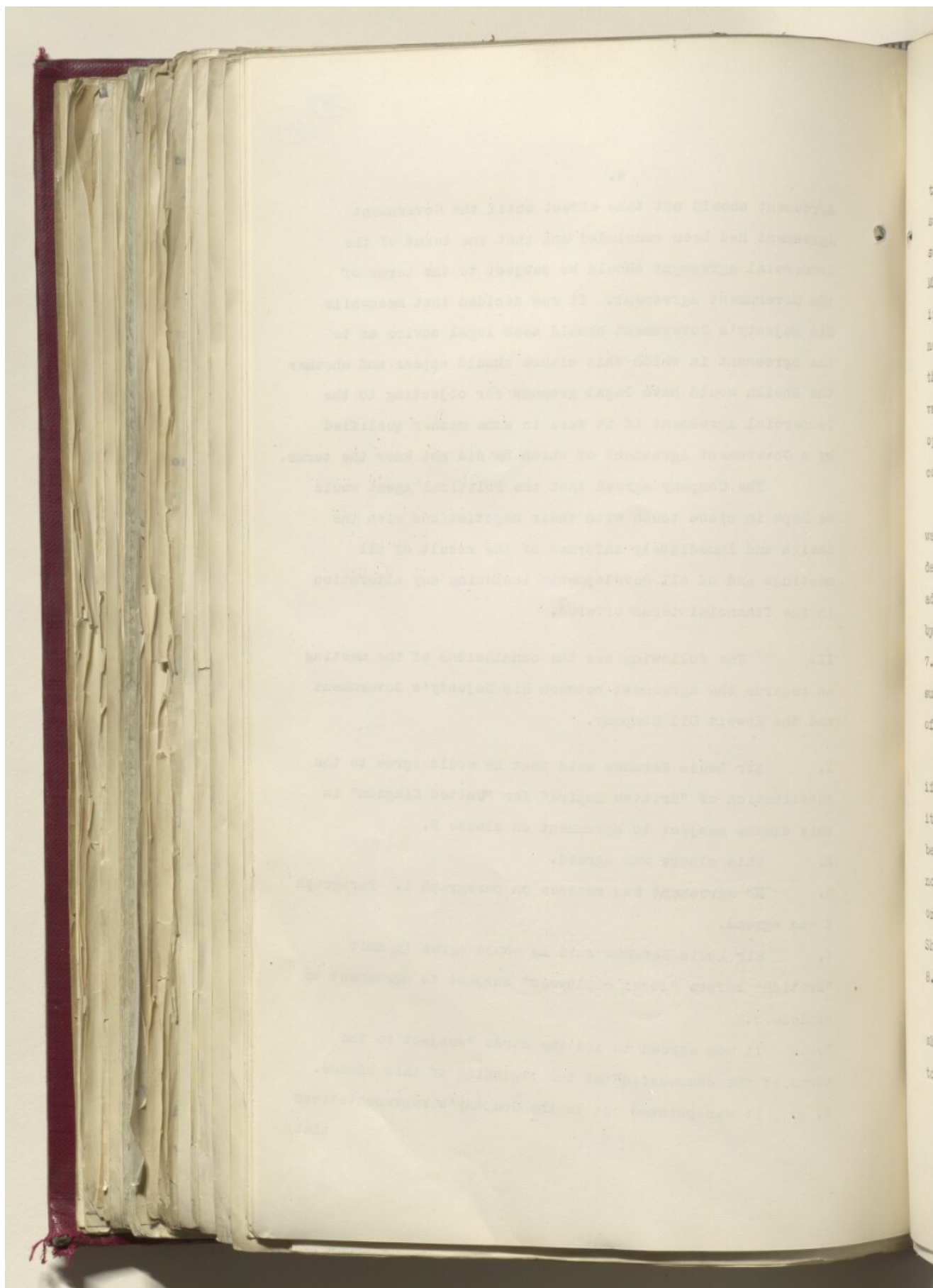
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4.

Agreement should not take effect until the Government Agreement had been concluded and that the terms of the Commercial Agreement should be subject to the terms of the Government Agreement. It was decided that meanwhile His Majesty's Government should seek legal advice as to the agreement in which this clause should appear and whether the Sheikh would have legal grounds for objecting to the Commercial Agreement if it were in some manner qualified by a Government Agreement of which he did not know the terms.

The Company agreed that the Political Agent would be kept in close touch with their negotiations with the Sheikh and immediately informed of the result of all meetings and of all developments including any alteration in the financial terms offered.

II. The following are the conclusions of the meeting as regards the agreement between His Majesty's Government and the Koweit Oil Company.

1. Sir Louis Kershaw said that he would agree to the substitution of "British Empire" for "United Kingdom" in this clause subject to agreement on clause 3.
2. This clause was agreed.
3. No agreement was reached on paragraph 1. Paragraph 2 was agreed.
4. Sir Louis Kershaw said he would agree to omit "British" before "local employees" subject to agreement on article 3.
5. It was agreed to add the words "subject to the terms of the concession" at the beginning of this clause.
6. It was pointed out to the Company's representatives that/





5.

that the Air Ministry had raised objection to the substitution in line 5 of the words "have been previously selected" for the words "be required". Mr. Fraser and Mr. Stevens strongly represented the difficult position in which the Company might be placed if this alteration were not made, since, under the article in its present form, they might be called upon by His Majesty's Government to vacate an area on which they had already commenced operations. It was agreed that the matter should be further considered with the Air Ministry.

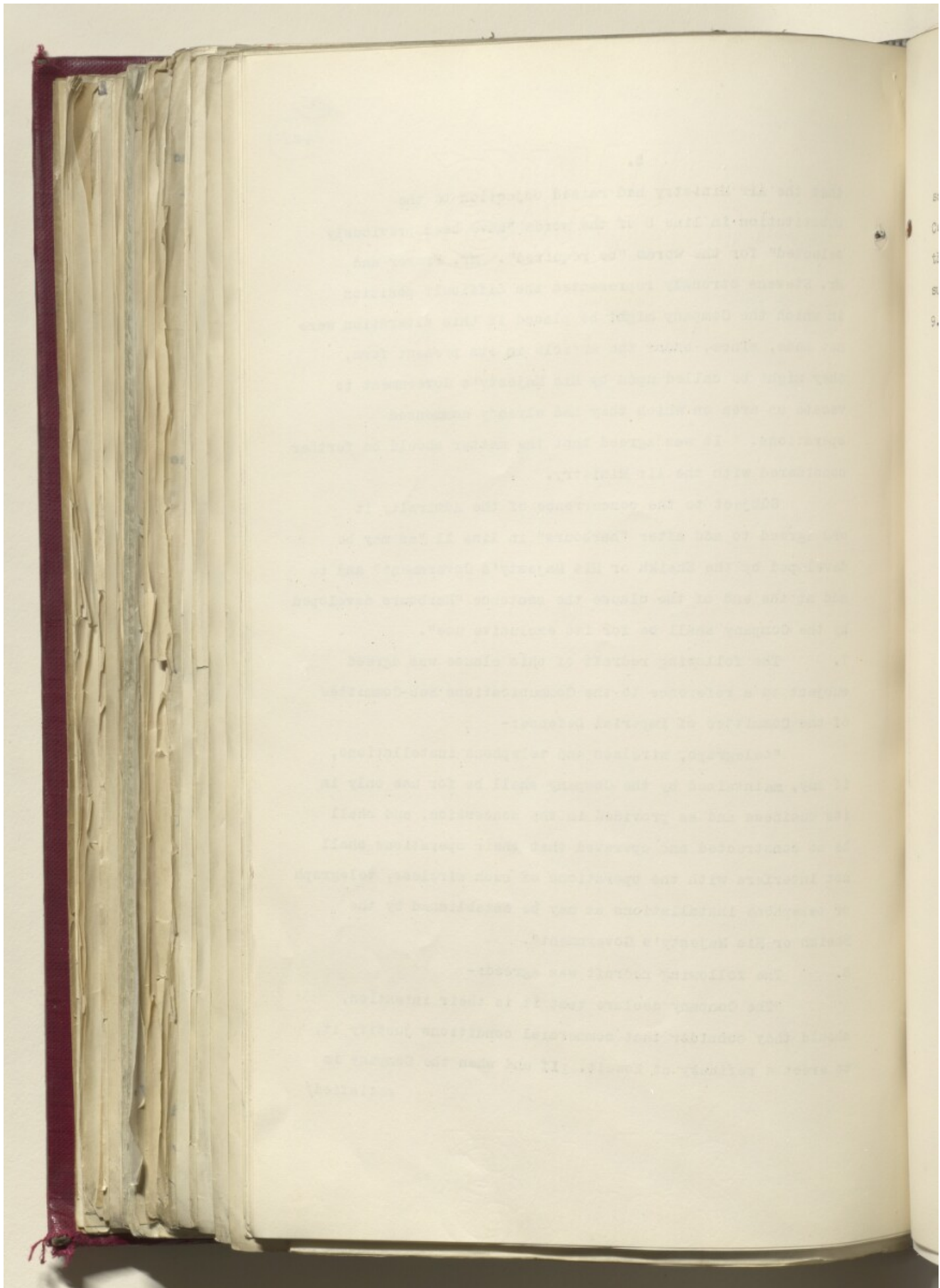
Subject to the concurrence of the Admiralty it was agreed to add after "harbours" in line 11 "as may be developed by the Sheikh or His Majesty's Government" and to add at the end of the clause the sentence "Harbours developed by the Company shall be for its exclusive use".

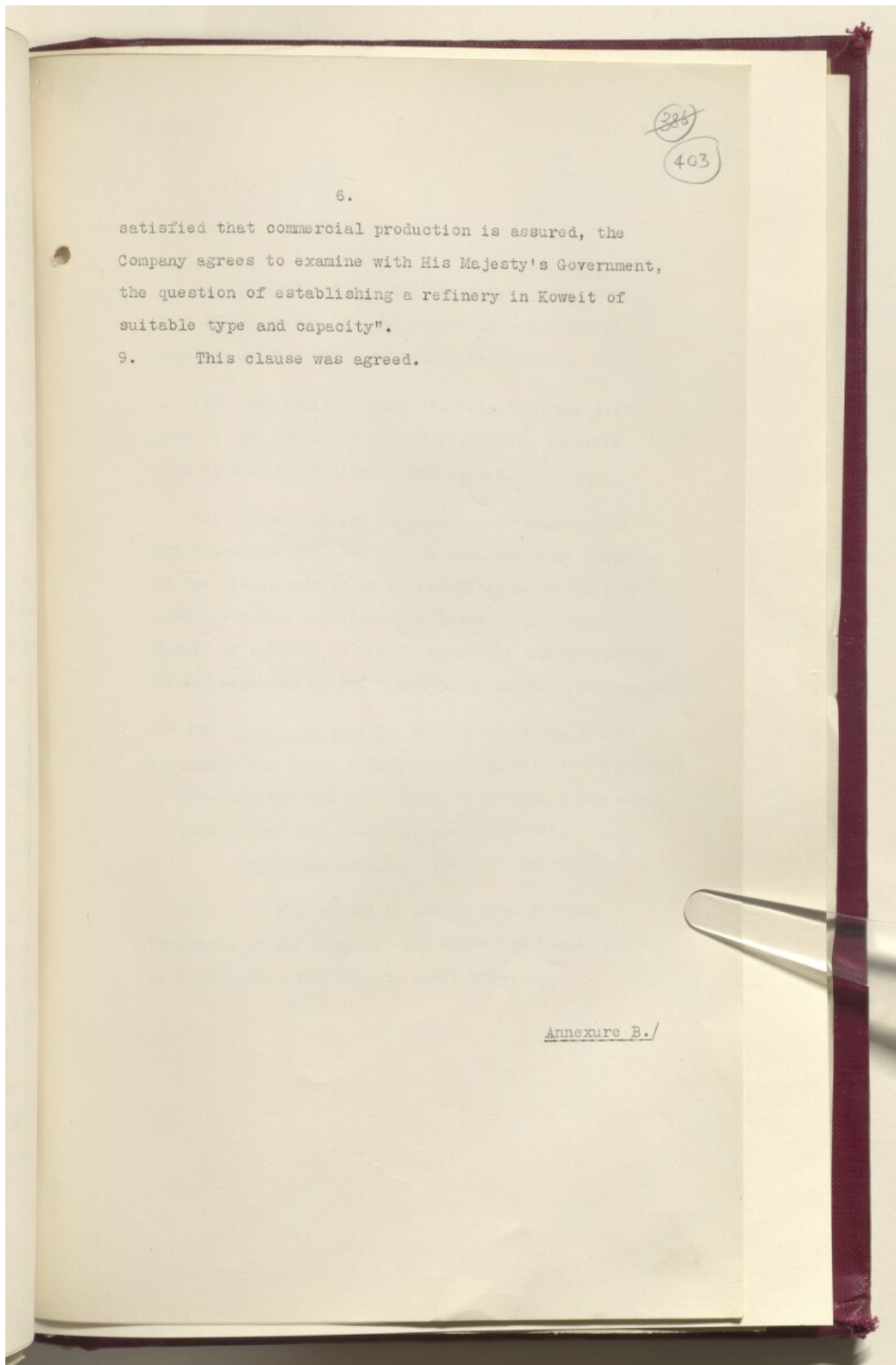
7. The following redraft of this clause was agreed subject to a reference to the Communications Sub-Committee of the Committee of Imperial Defence:-

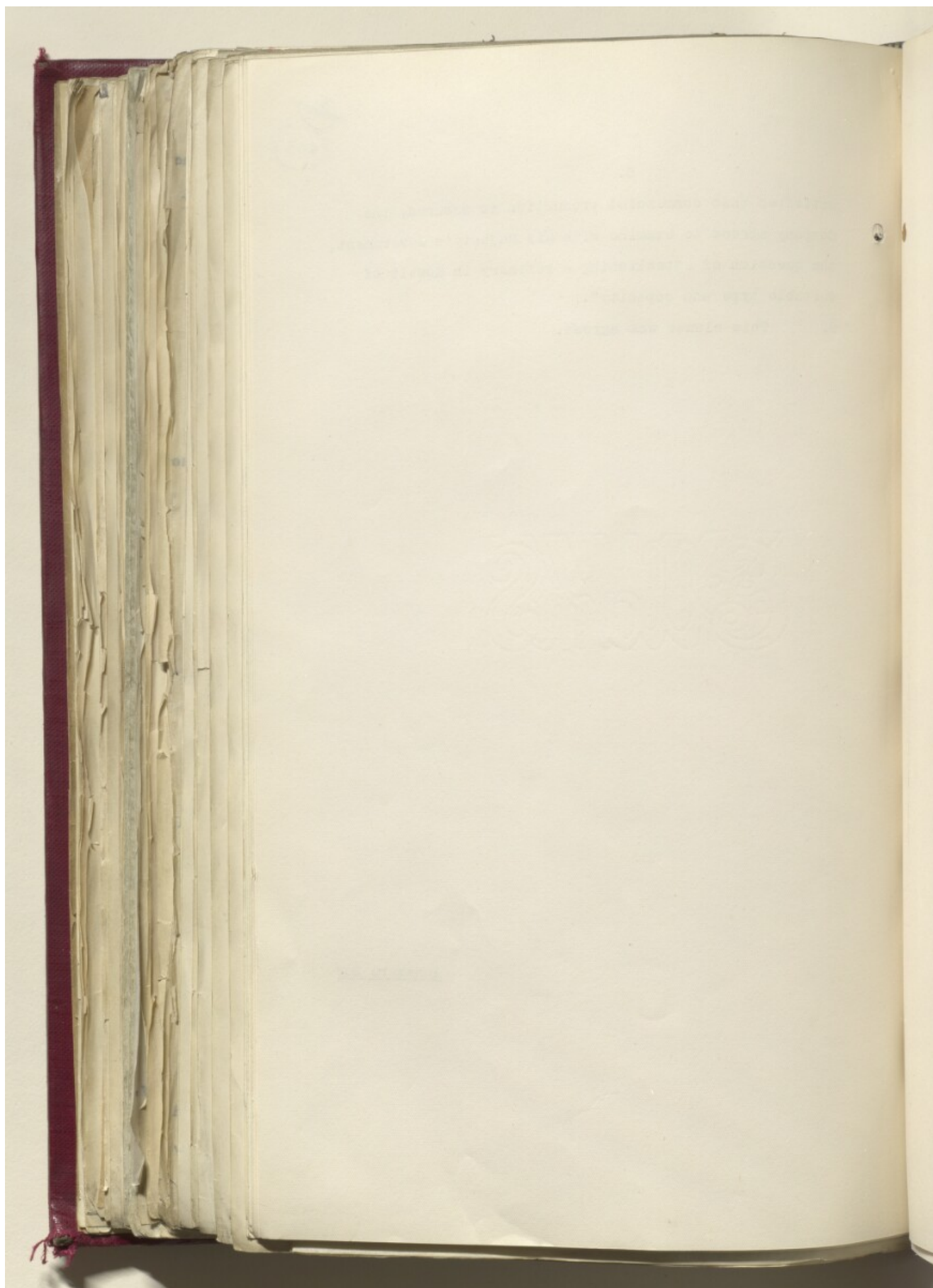
"telegraph, wireless and telephone installations, if any, maintained by the Company shall be for use only in its business and as provided in the concession, and shall be so constructed and operated that their operations shall not interfere with the operations of such wireless, telegraph or telephone installations as may be established by the Sheikh or His Majesty's Government".

8. The following redraft was agreed:-

"The Company declare that it is their intention, should they consider that commercial conditions justify it, to erect a refinery at Koweit. If and when the Company is satisfied/









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Annexure B.

(1) The addition after "Company" in the 5th line of the words "to the extent of any refining capacity it may have in Koweit" was agreed.

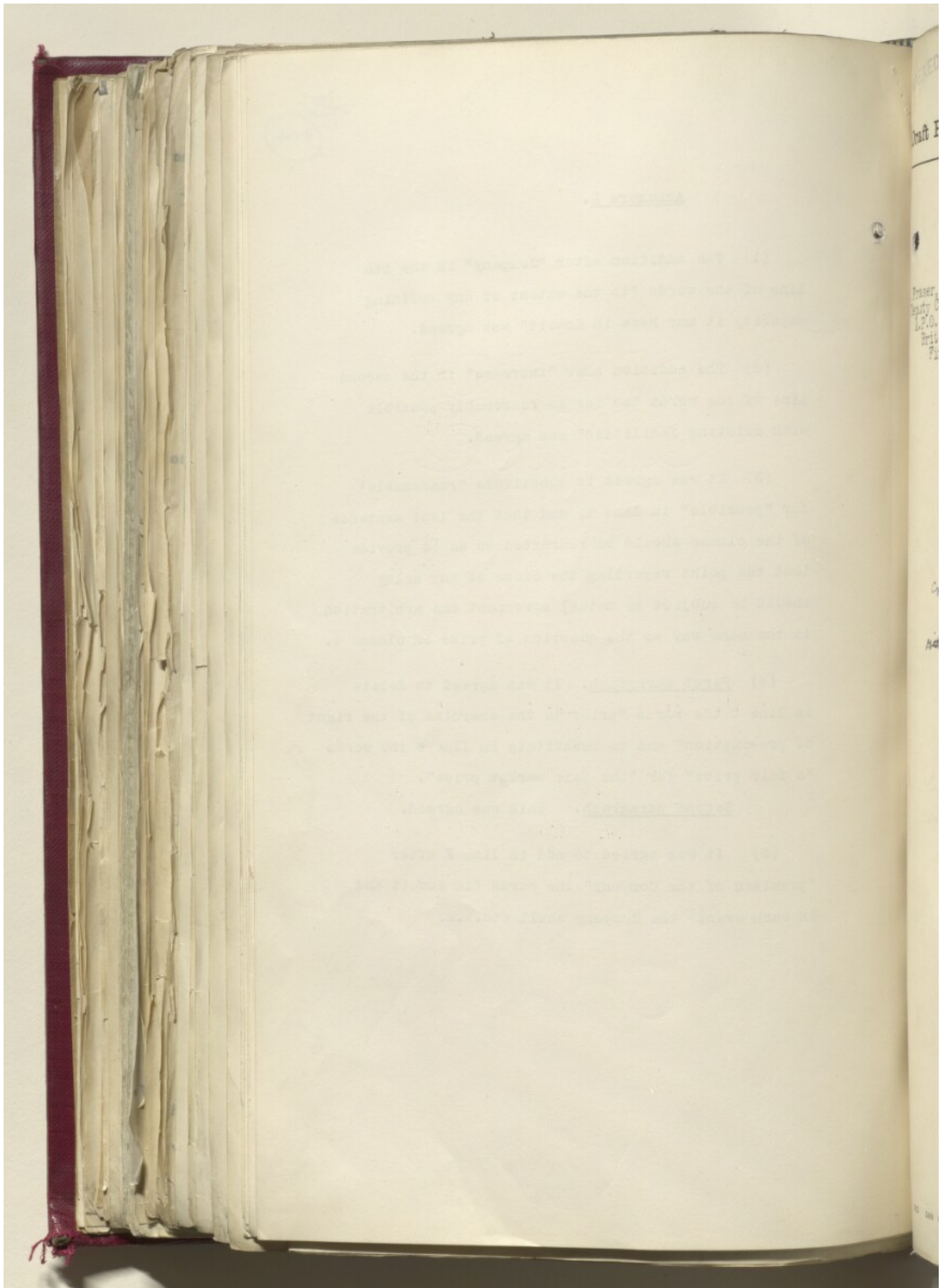
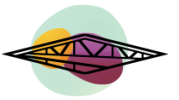
(2) The addition after "increase" in the second line of the words "so far as reasonably possible with existing facilities" was agreed.

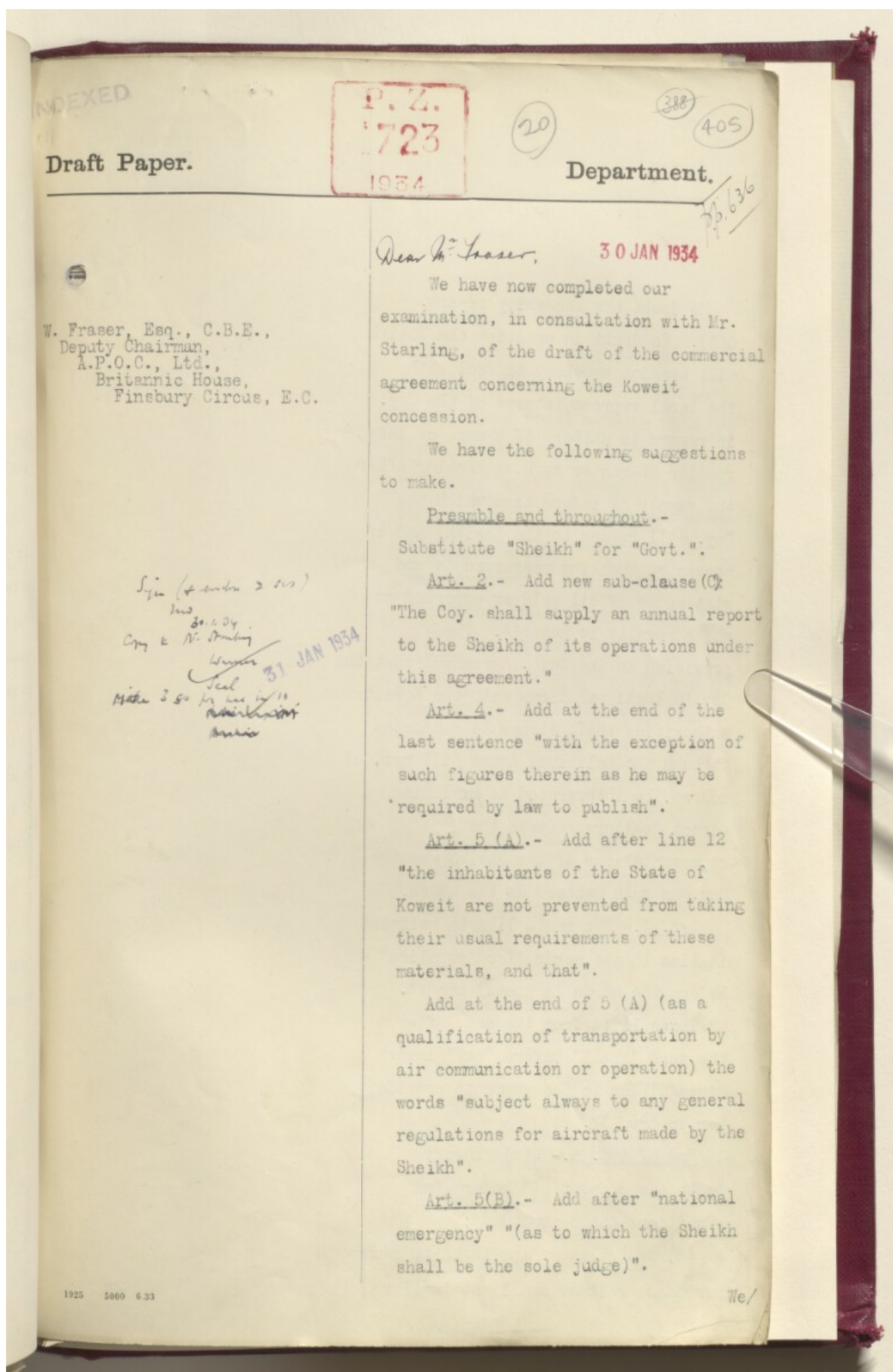
(3) It was agreed to substitute "reasonable" for "possible" in line 1, and that the last sentence of the clause should be redrafted so as to provide that the point regarding the cause of any delay should be subject to mutual agreement and arbitration in the same way as the question of price in clause 4.

(4) First paragraph. It was agreed to delete in line 5 the words "prior to the exercise of the right of pre-emption" and to substitute in line 6 the words "a fair price" for "the fair market price".

Second paragraph. This was agreed.

(5) It was agreed to add in line 2 after "premises of the Company" the words "in Koweit and in such event" the Company shall etc.....







We doubt the necessity of Art. 6(B). No doubt in practice the Sheikh will appoint somebody to deal with the local representatives of the Coy. in regard to matters of a more or less routine character such as looking after the supply of information which the Coy. will render to the Sheikh, and if necessary checking measurements and statements of oil sold or exported on which royalty is payable. The provision in the Govt. Agreement that the Coy.'s local relations with the Koweit authorities shall always be conducted through the Political Agent will not, of course, be interpreted as ~~precluding~~ direct dealings between the representatives of the Sheikh and the Coy. on such matters as the above.

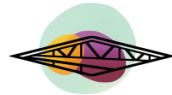
Art. 7.- We would like to reinsert in line 10 the words "food supplies" before the words "personal goods".

Three lines from the end, after the word "shall" before "pay" insert "in addition to the payments provided for in Art. 3".

End of Art. 9.- (a) Insert "with the consent of" before "on conditions to be arranged";

(b) substitute "the terms of such purchase or lease shall not be" for

the/



Draft Paper.

Department.

the words "at rates not";

(c) add sentences such as appear in Art. 7 of the Qatr draft, viz.:

"The Company shall acquire only such land houses and buildings as are necessary for its operations under this Agreement, ~~and such land shall at all times be less than the whole area of Koweit.~~ The Company shall inform the Shaikh from time to time of the land houses and buildings which it requires to occupy for its operations, and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh free of cost."

Art. 11(c).- Substitute "If the Coy. shall be in default under the arbitration provisions of Art. 18."

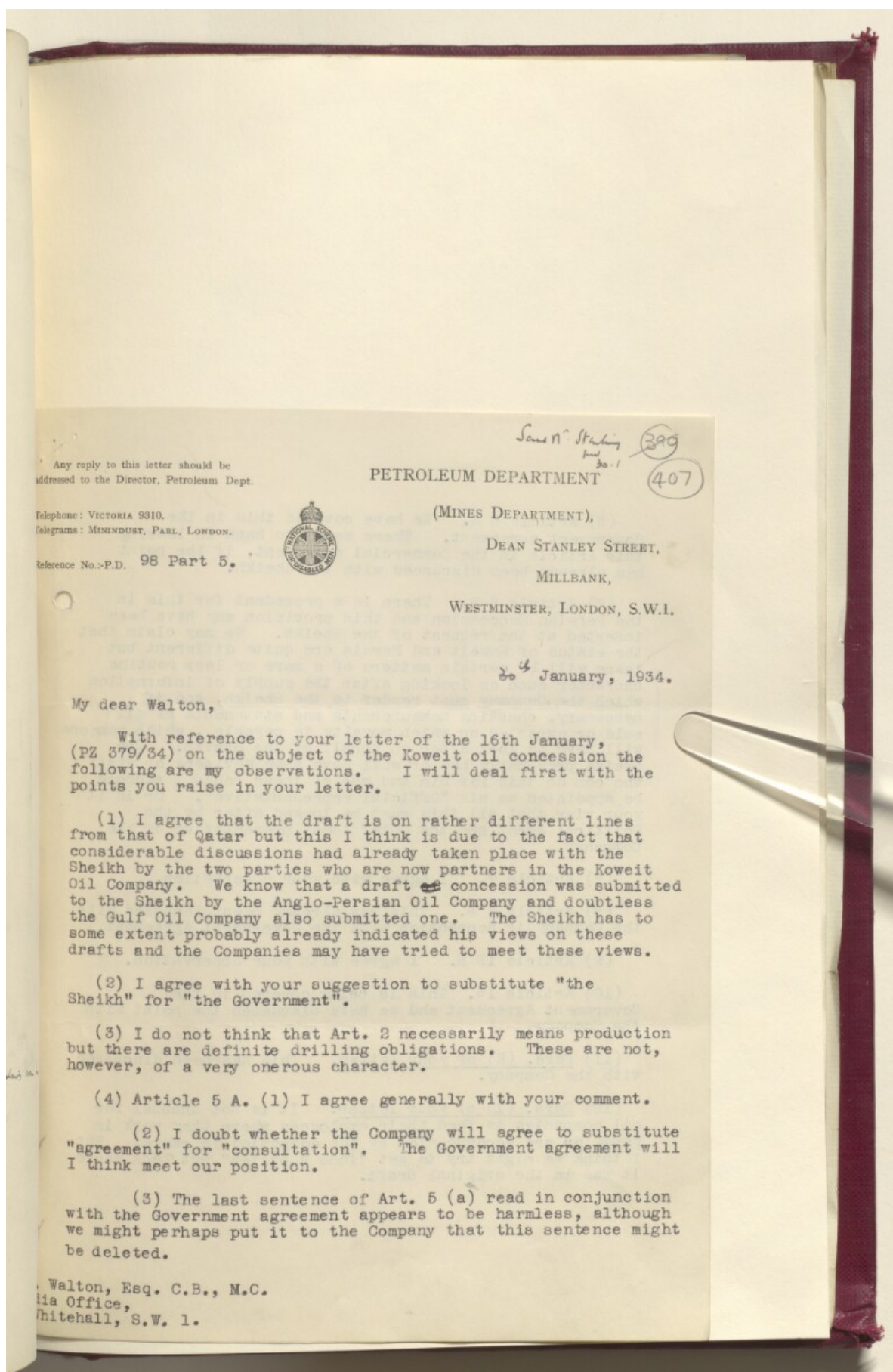
Art. 12 (B) (a).- Add "Producing wells or borings at the time of such termination shall be handed over in good order and repair (and fit for further working.)"

(b).- Substitute for "such working condition as the property then is" the words "good order and repair and fit for further working".

Art. 13./

1925 3000 6.33

(Ed.) J. C. WALTON.



Any reply to this letter should be addressed to the Director, Petroleum Dept.

Telephone: VICTORIA 9310.
Telegrams: MININDUST, PARL, LONDON.

Reference No.: P.D. 98 Part 5.



PETROLEUM DEPARTMENT

(MINES DEPARTMENT),

DEAN STANLEY STREET,

MILLBANK,

WESTMINSTER, LONDON, S.W.1.

20th January, 1934.

My dear Walton,

With reference to your letter of the 16th January, (PZ 379/34) on the subject of the Koweit oil concession the following are my observations. I will deal first with the points you raise in your letter.

(1) I agree that the draft is on rather different lines from that of Qatar but this I think is due to the fact that considerable discussions had already taken place with the Sheikh by the two parties who are now partners in the Koweit Oil Company. We know that a draft of concession was submitted to the Sheikh by the Anglo-Persian Oil Company and doubtless the Gulf Oil Company also submitted one. The Sheikh has to some extent probably already indicated his views on these drafts and the Companies may have tried to meet these views.

(2) I agree with your suggestion to substitute "the Sheikh" for "the Government".

(3) I do not think that Art. 2 necessarily means production but there are definite drilling obligations. These are not, however, of a very onerous character.

(4) Article 5 A. (1) I agree generally with your comment.

(2) I doubt whether the Company will agree to substitute "agreement" for "consultation". The Government agreement will I think meet our position.

(3) The last sentence of Art. 5 (a) read in conjunction with the Government agreement appears to be harmless, although we might perhaps put it to the Company that this sentence might be deleted.

Walton, Esq. C.B., M.C.
via Office,
Whitehall, S.W. 1.



(5) Article 6 A. We have covered this in the Government agreement. There seems no harm in leaving this Article in the Commercial agreement, if the point has already been discussed with the Sheikh.

(6) Article 6 B. There is a precedent for this in the Persian Concession and this provision may have been inserted at the request of the Sheikh. We may claim that the status of Koweit and Persia are quite different but there will be certain matters of a more or less routine character such as looking after the supply of information which the Company must render to the Sheikh, and if necessary, checking measurements and statements of oil sold or exported on which royalty is payable, which someone will have to look after on behalf of the Sheikh. The Sheikh presumably has or will have some advisers or staff who can do this for him and one of these could I suppose be appointed as his "Official representative". Or is it your view that all this must be looked after by the Political Agent and the Chief local representative of the Company?

(7) Article 7. I agree with your observation.

(8) Article 8 B. This has already been discussed with the Company in connection with the Government Agreement.

(9) Article 12 B. I agree with your observation.

(10) Article 14. This is being covered in the Government Agreement and we have discussed the point with the Company.

(11) Para. (K) of your letter. This has been discussed with the Company.

(12) Para. (L) of your letter. It is not unusual for oil companies to feed their employees where they work in gangs or are accommodated by the companies in camps. But I think we might try to get "food supplies" put back where it was in the original draft.



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408

In addition to the above there are certain points which occur to me in connection with the draft "Commercial Agreement" and which are as follows:

Article 1.

"Territorial waters" are included in the Draft Koweit Concession but not in the case of Qatar. Now that drilling can be successfully carried out in the sea within a reasonable distance of the shore, where shallow water conditions prevail, the question is one of some importance. This, however, raises a question which has caused a little difficulty in the case of Bahrein. I do not suggest we should object to the inclusion of territorial waters but if they are included in one case they had perhaps better be included in both. I do not know whether there will be any points at which there will be a difficulty in defining these territorial waters in relation to those of neighbouring territories.

Article 2.

As in the Qatar Agreement the Company should undertake to supply an annual report to the Sheikh of its operations under the Agreement.

Article 9.

I think that in several respects the form of Article 7 of the Qatar draft is better than that used in this Article, and we might get them brought into line.

Article 11.

(c) Substitute "If the Company shall be in default under the arbitration provisions of Article 18" for the words "any sum awarded, etc."

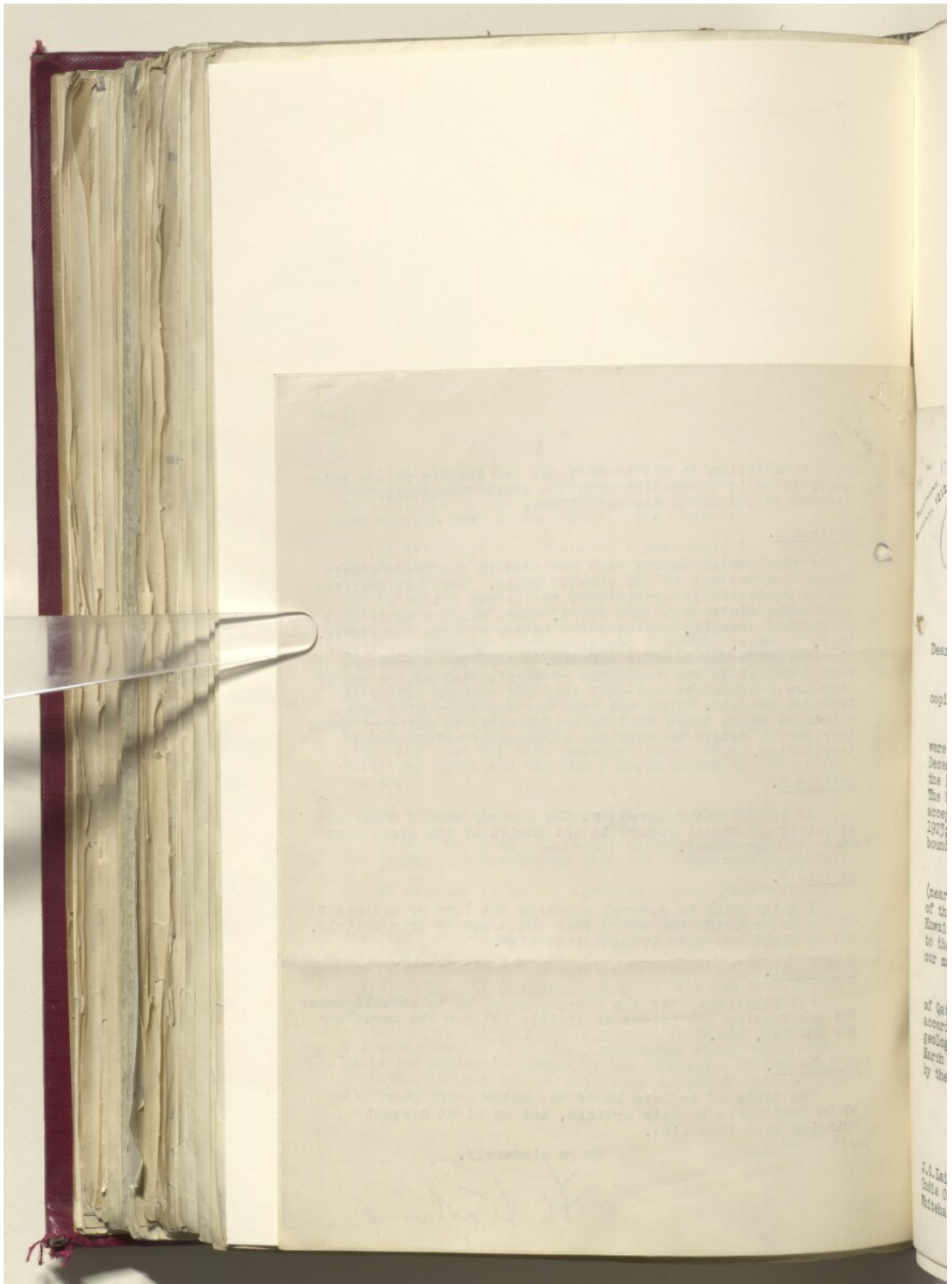
Article 16.

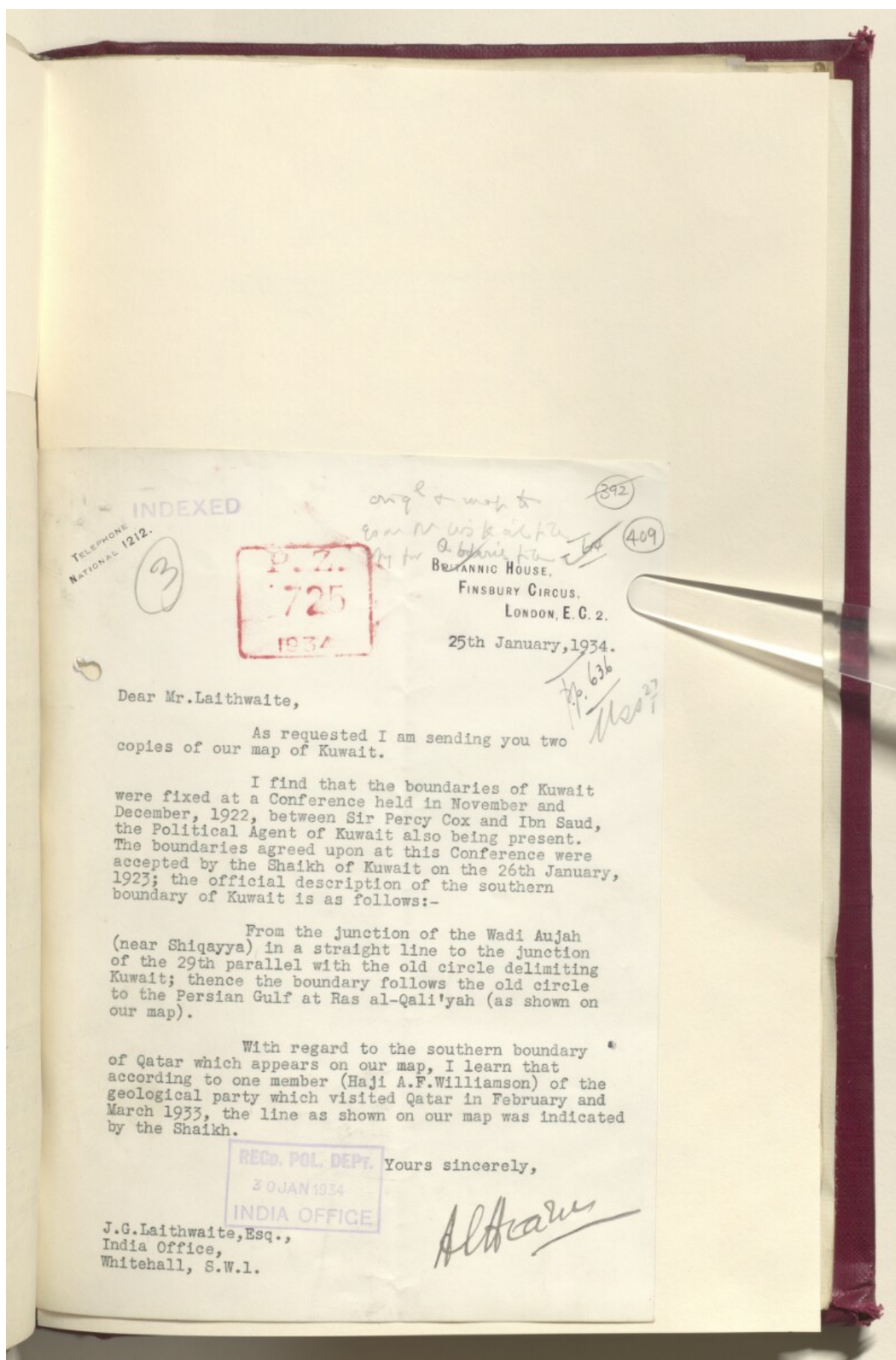
The terms of Article 15 of the Qatar draft seem to me to be preferable to this Article, and we might suggest bringing them into line.

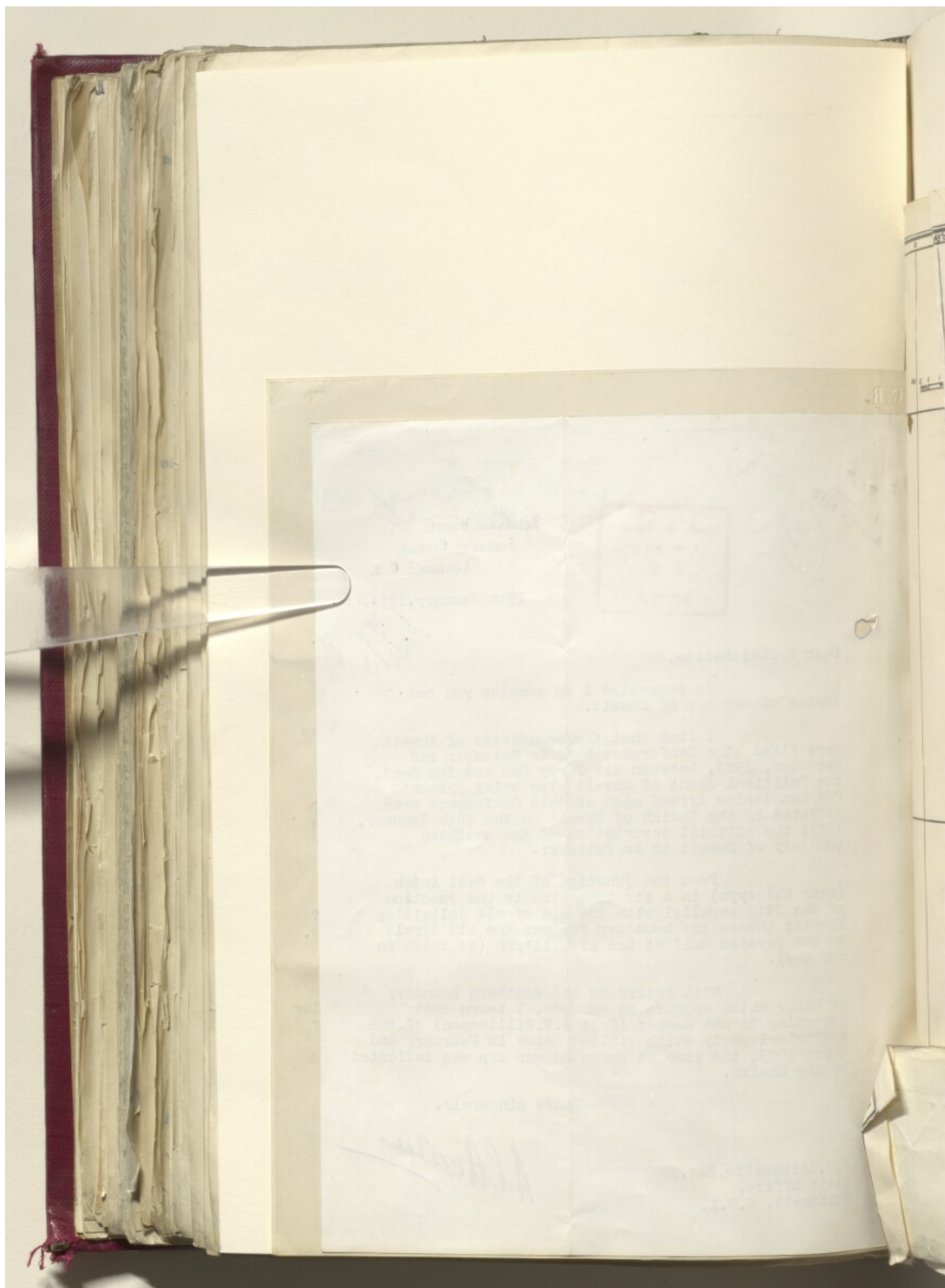
Yours sincerely,

L. Harding

DGH.

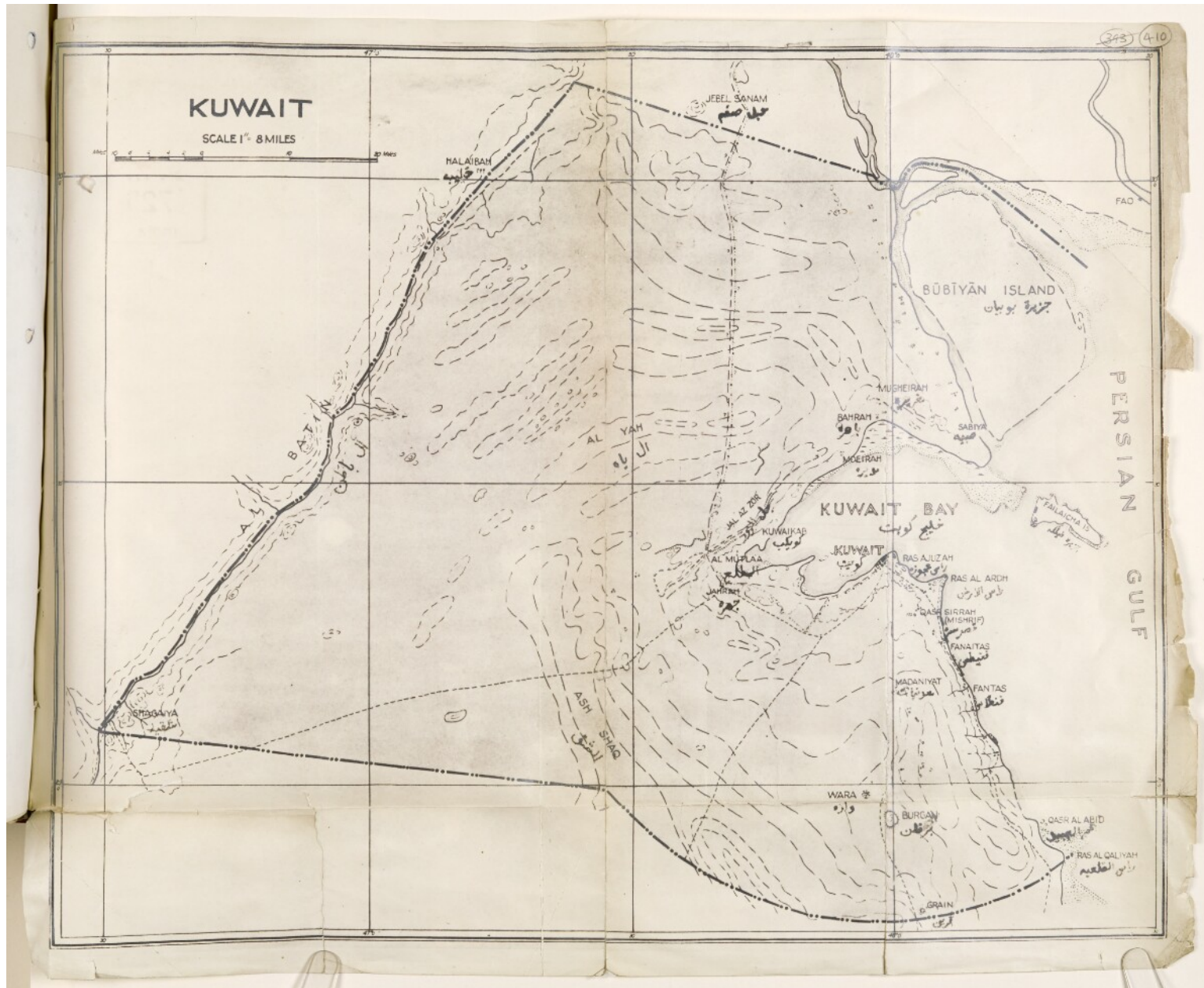


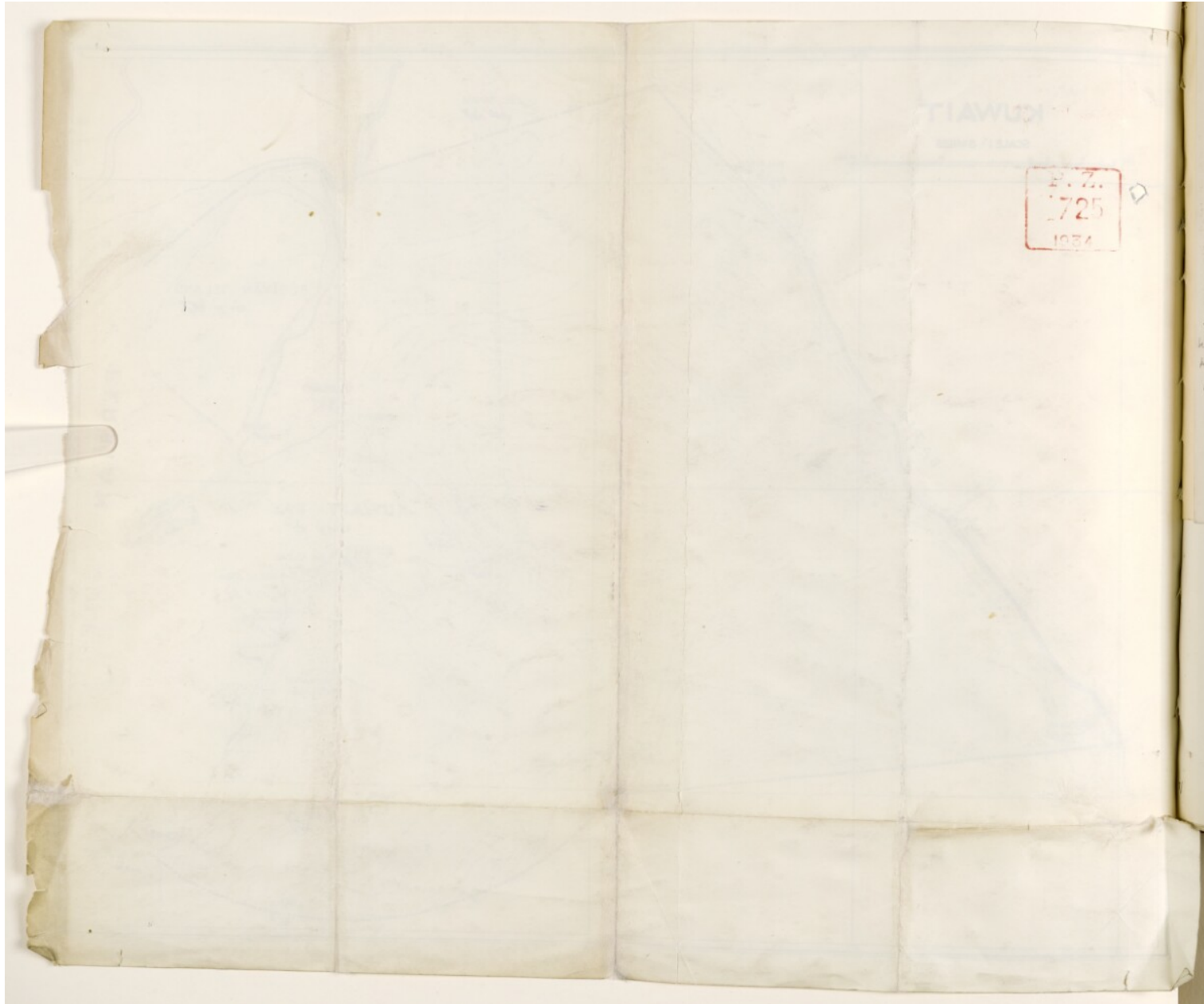


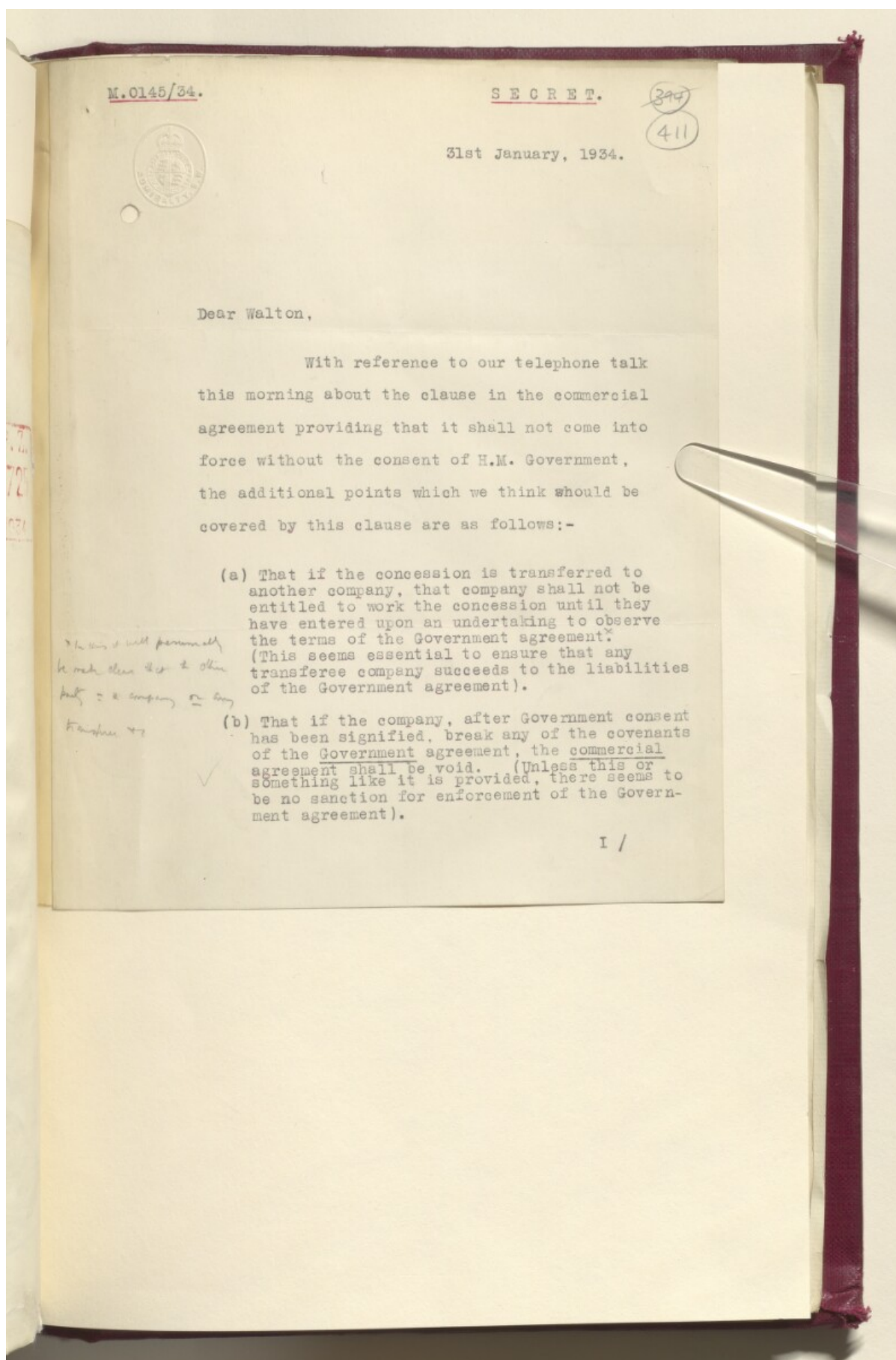




'KUWAIT' [410r] (1/2)







M.0145/34.

SECRET.

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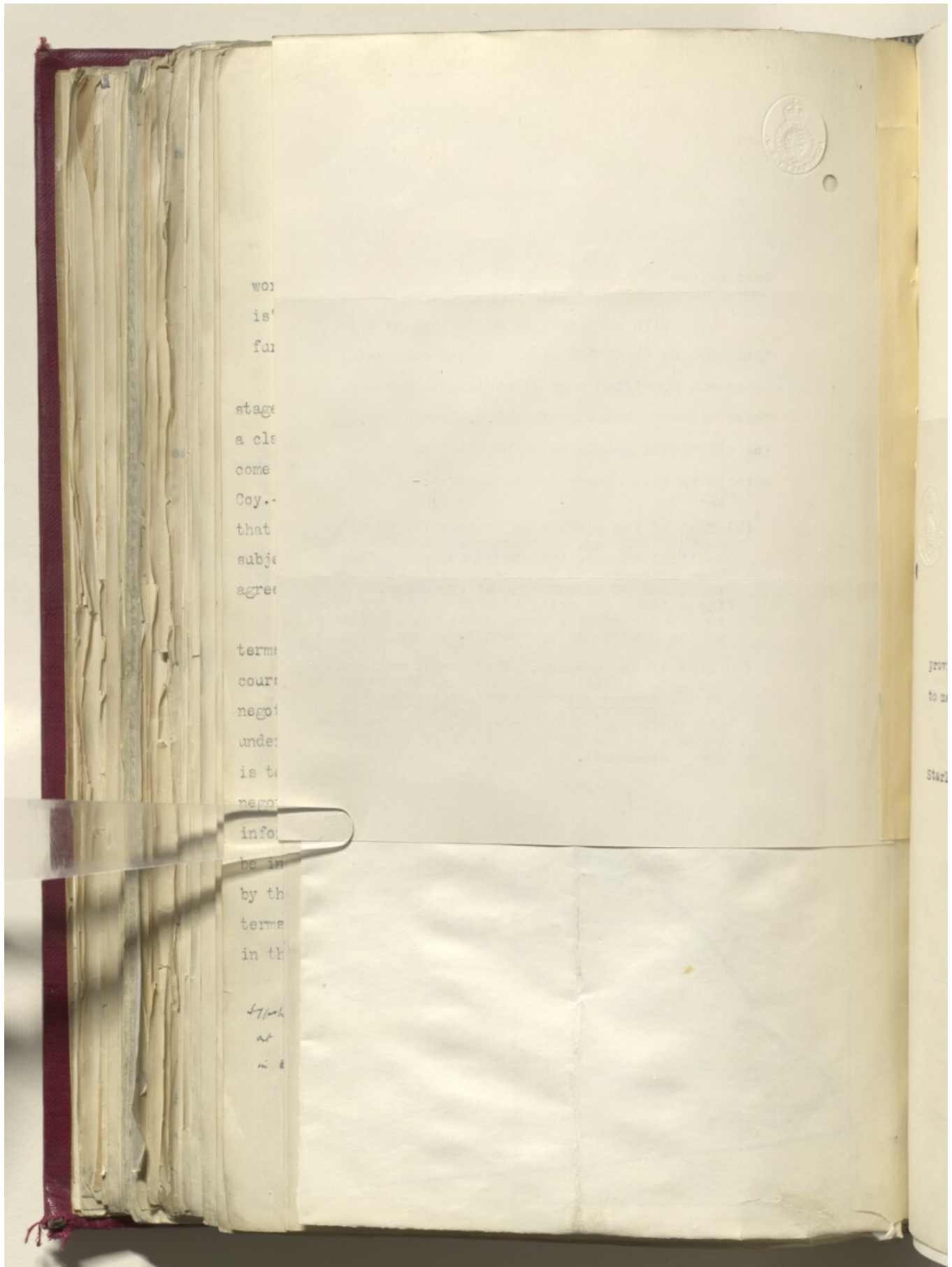
31st January, 1934.

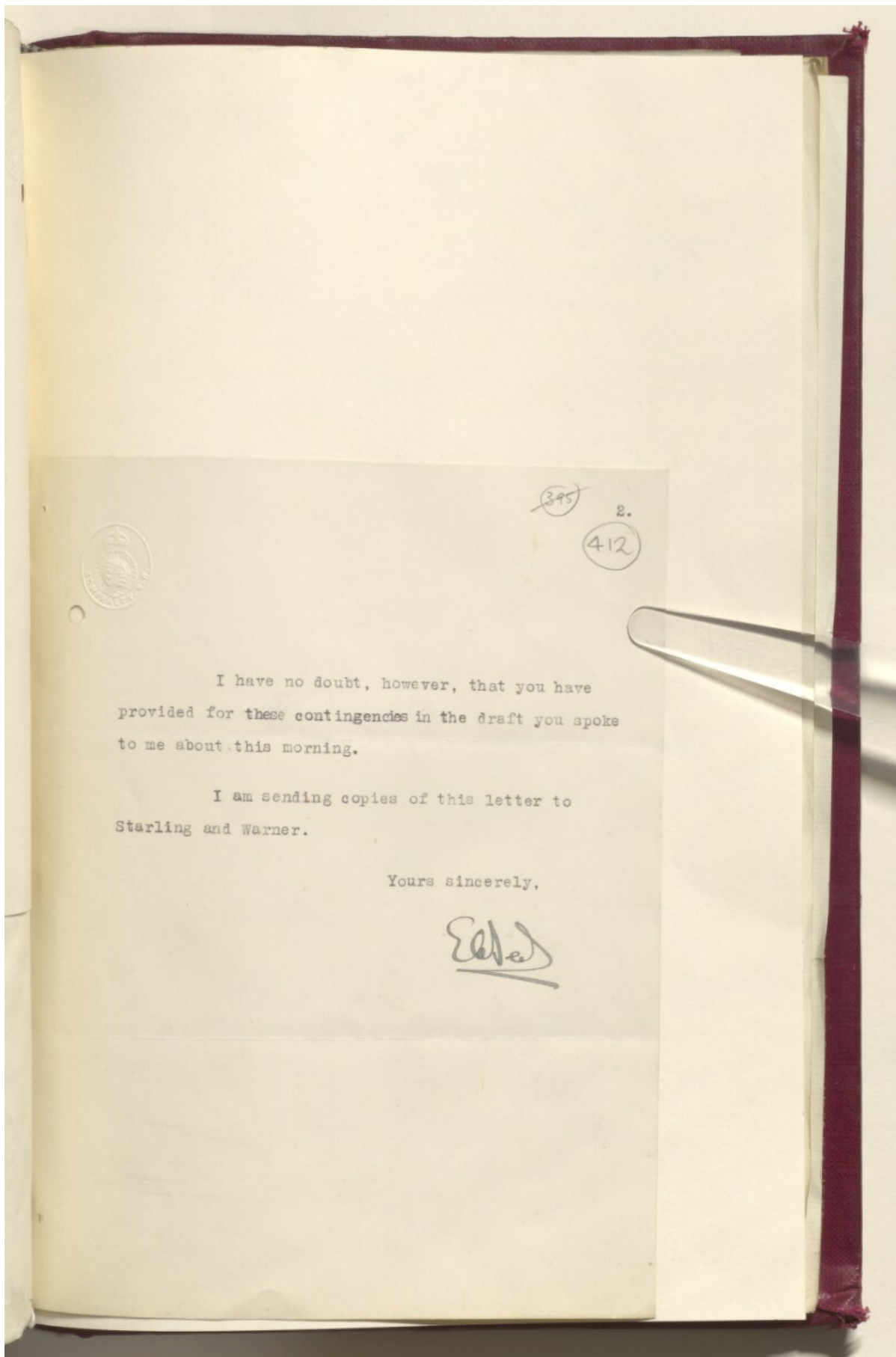
Dear Walton,

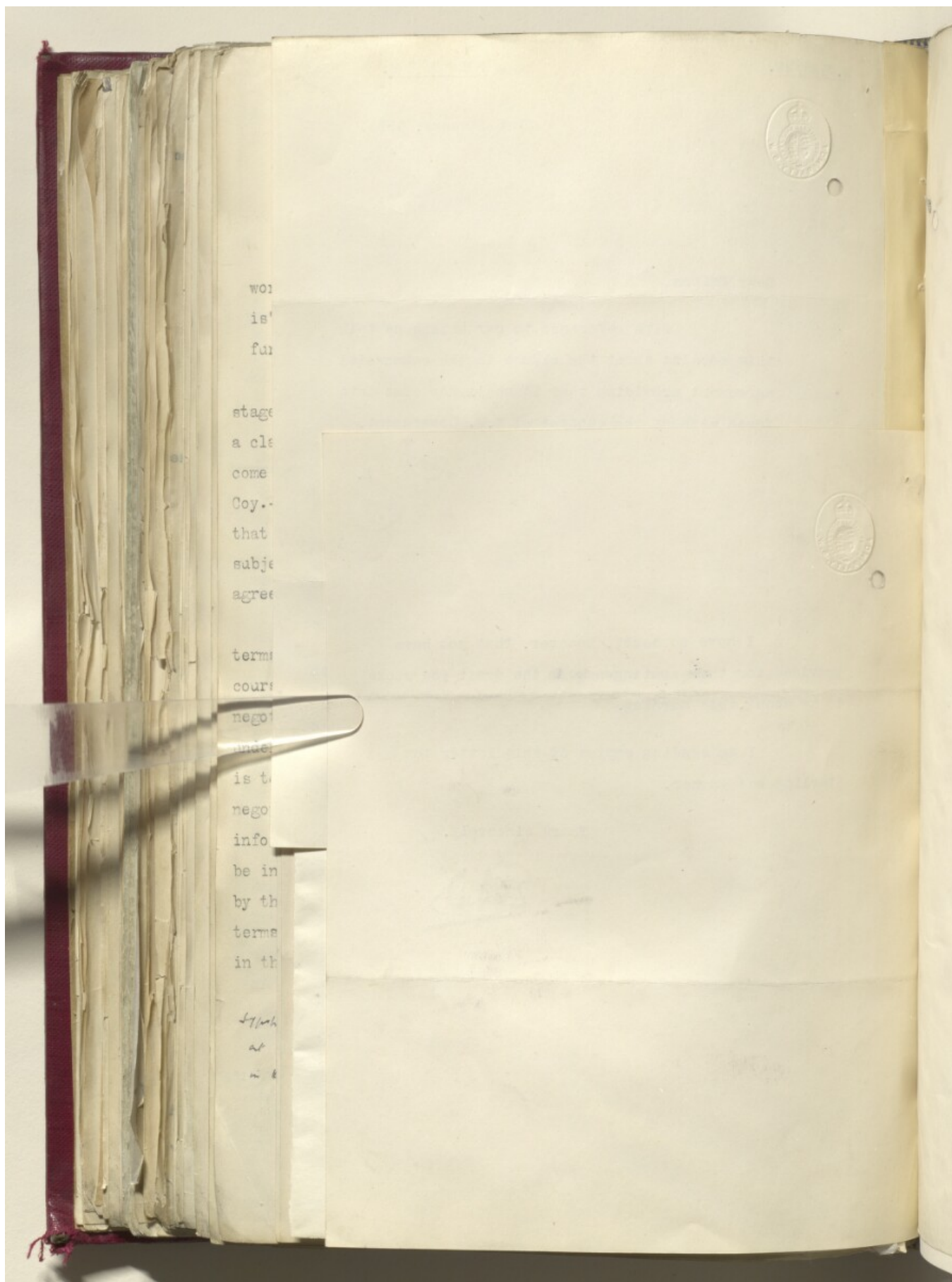
With reference to our telephone talk this morning about the clause in the commercial agreement providing that it shall not come into force without the consent of H.M. Government, the additional points which we think should be covered by this clause are as follows:-

- (a) That if the concession is transferred to another company, that company shall not be entitled to work the concession until they have entered upon an undertaking to observe the terms of the Government agreement. (This seems essential to ensure that any transferee company succeeds to the liabilities of the Government agreement).
- (b) That if the company, after Government consent has been signified, break any of the covenants of the Government agreement, the commercial agreement shall be void. (Unless this or something like it is provided, there seems to be no sanction for enforcement of the Government agreement).

I /







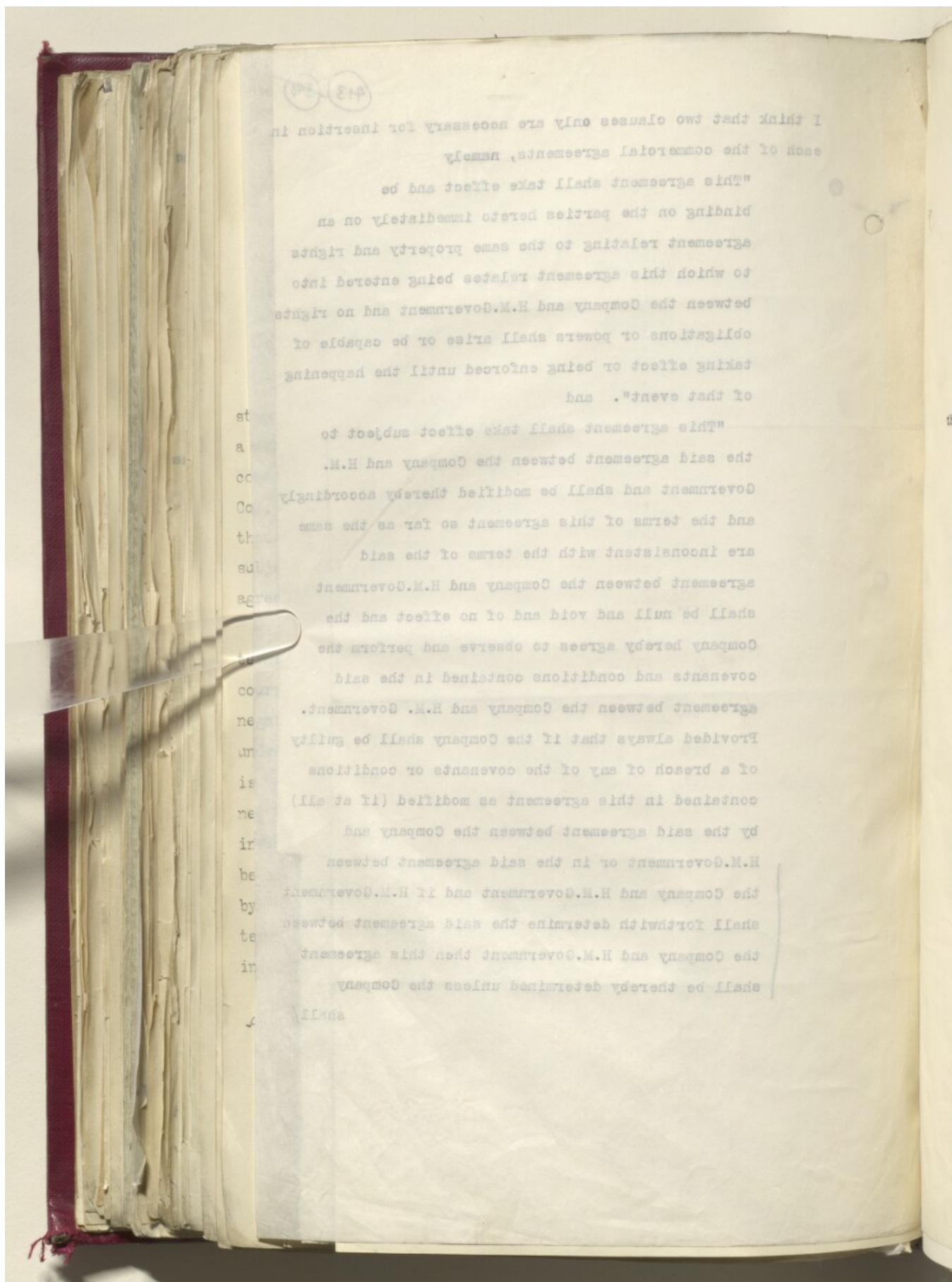


(413) (396)

I think that two clauses only are necessary for insertion in each of the commercial agreements, namely

"This agreement shall take effect and be binding on the parties hereto immediately on an agreement relating to the same property and rights to which this agreement relates being entered into between the Company and H.M. Government and no rights obligations or powers shall arise or be capable of taking effect or being enforced until the happening of that event". and

"This agreement shall take effect subject to the said agreement between the Company and H.M. Government and shall be modified thereby accordingly and the terms of this agreement so far as the same are inconsistent with the terms of the said agreement between the Company and H.M. Government shall be null and void and of no effect and the Company hereby agrees to observe and perform the covenants and conditions contained in the said agreement between the Company and H.M. Government. Provided always that if the Company shall be guilty of a breach of any of the covenants or conditions contained in this agreement as modified (if at all) by the said agreement between the Company and H.M. Government or in the said agreement between the Company and H.M. Government and if H.M. Government shall forthwith determine the said agreement between the Company and H.M. Government then this agreement shall be thereby determined unless the Company shall/





(397)
2. (414)

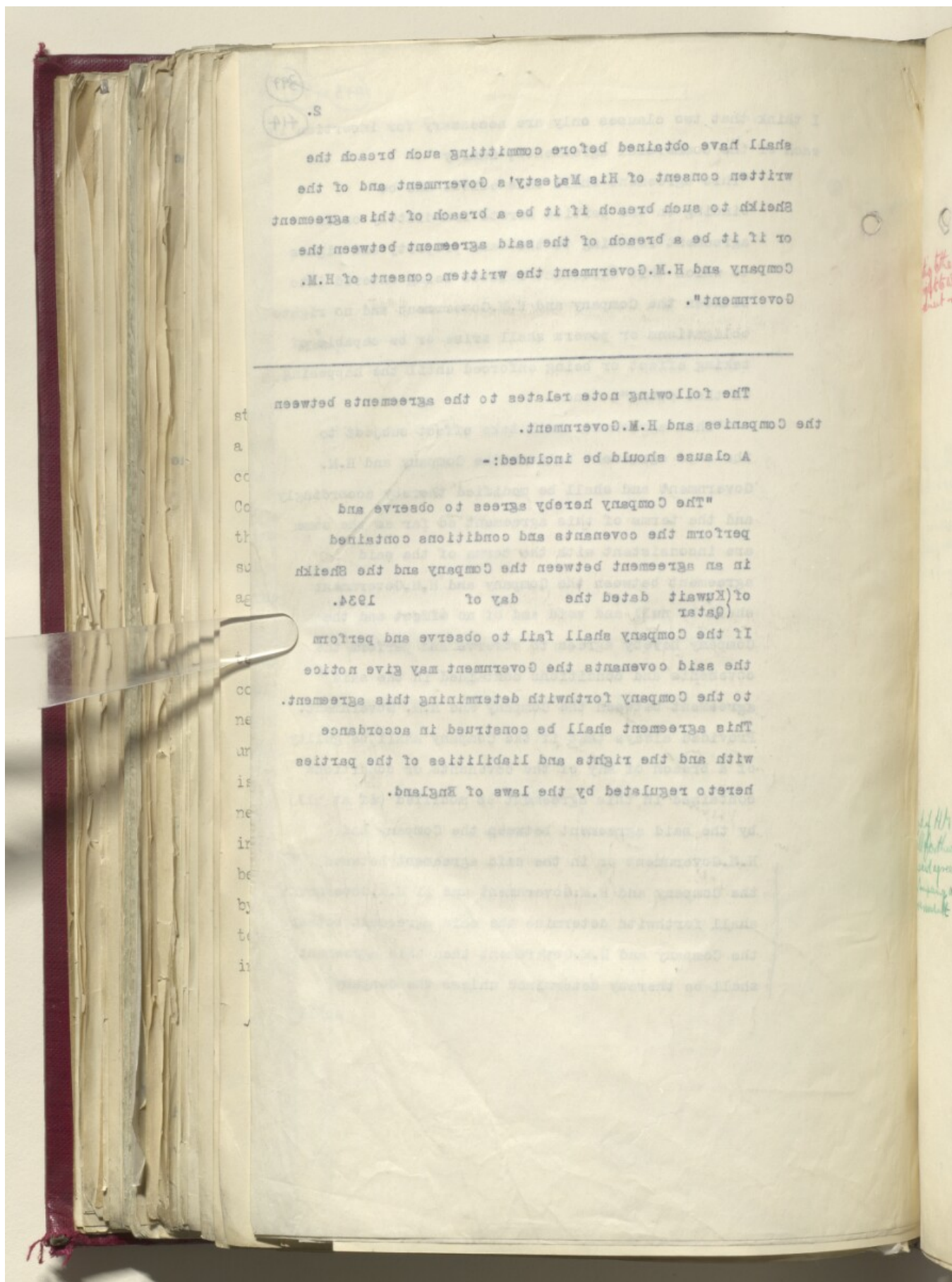
shall have obtained before committing such breach the written consent of His Majesty's Government and of the Sheikh to such breach if it be a breach of this agreement or if it be a breach of the said agreement between the Company and H.M. Government the written consent of H.M. Government".

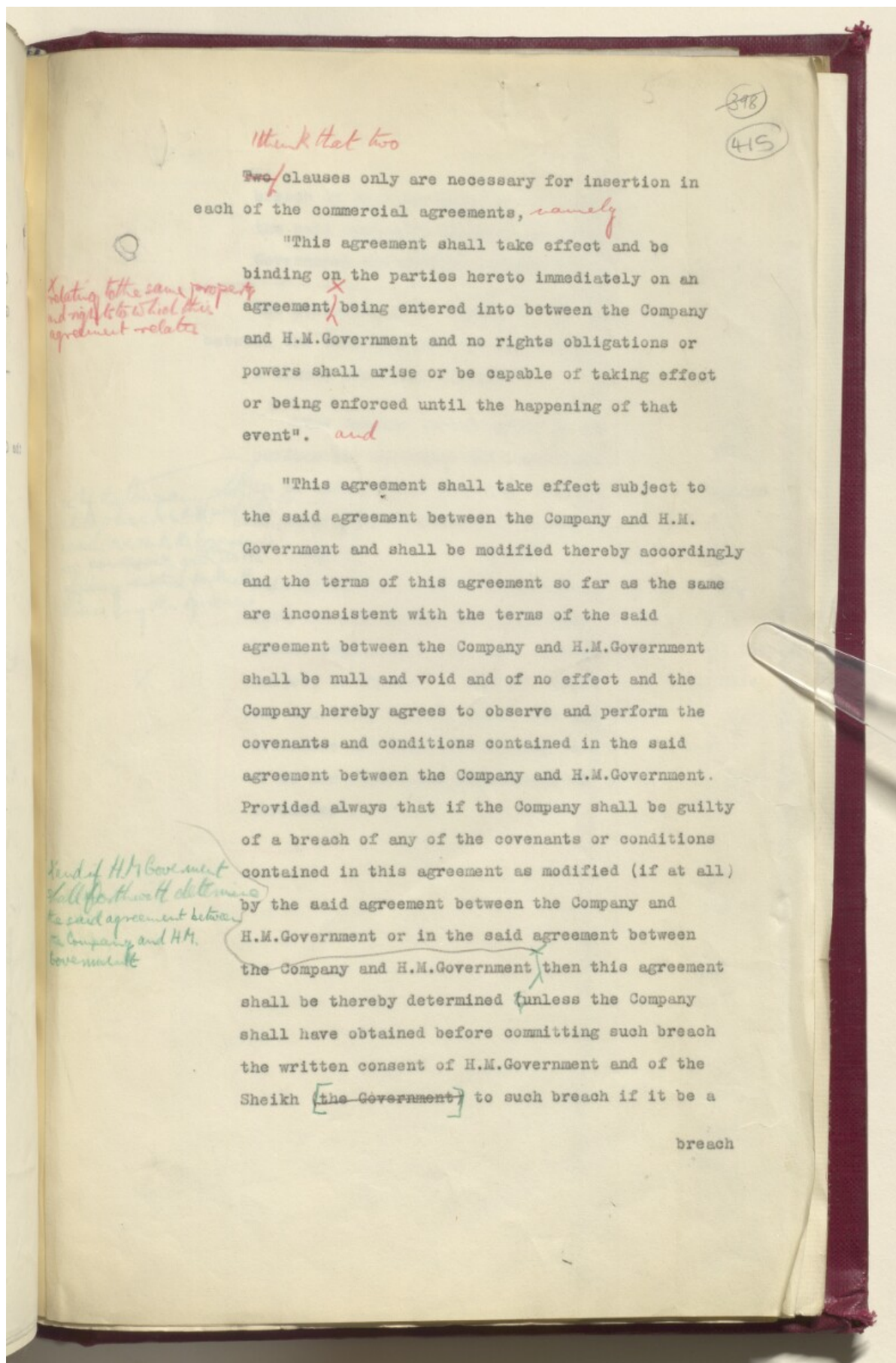
The following note relates to the agreements between the Companies and H.M. Government.

A clause should be included:-

"The Company hereby agrees to observe and perform the covenants and conditions contained in an agreement between the Company and the Sheikh of (Kuwait dated the day of 1934.
(Qatar

If the Company shall fail to observe and perform the said covenants the Government may give notice to the Company forthwith determining this agreement. This agreement shall be construed in accordance with and the rights and liabilities of the parties hereto regulated by the laws of England.





think that two

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Two clauses only are necessary for insertion in each of the commercial agreements, *namely*

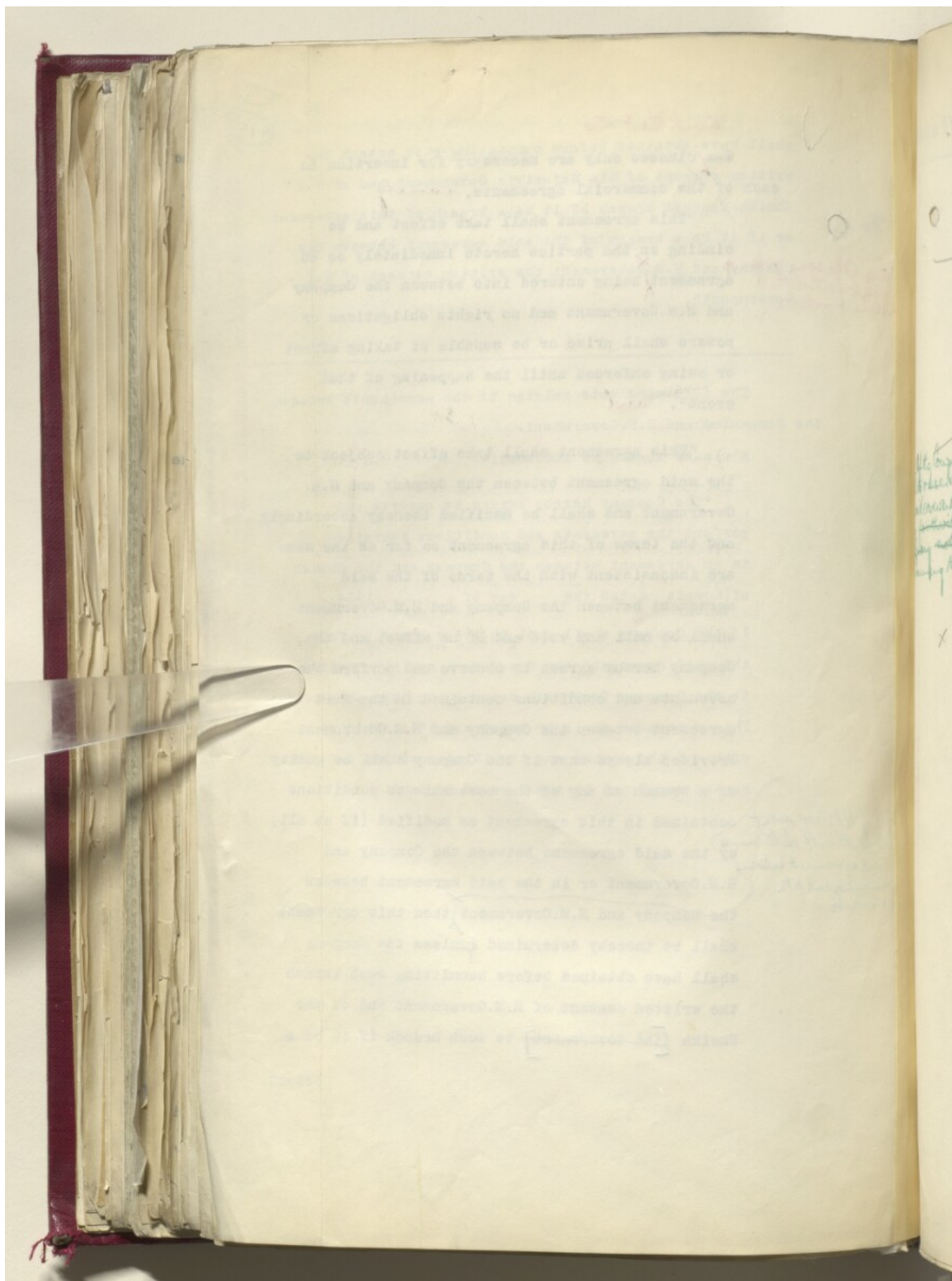
relating to the same property and right to which this agreement relates

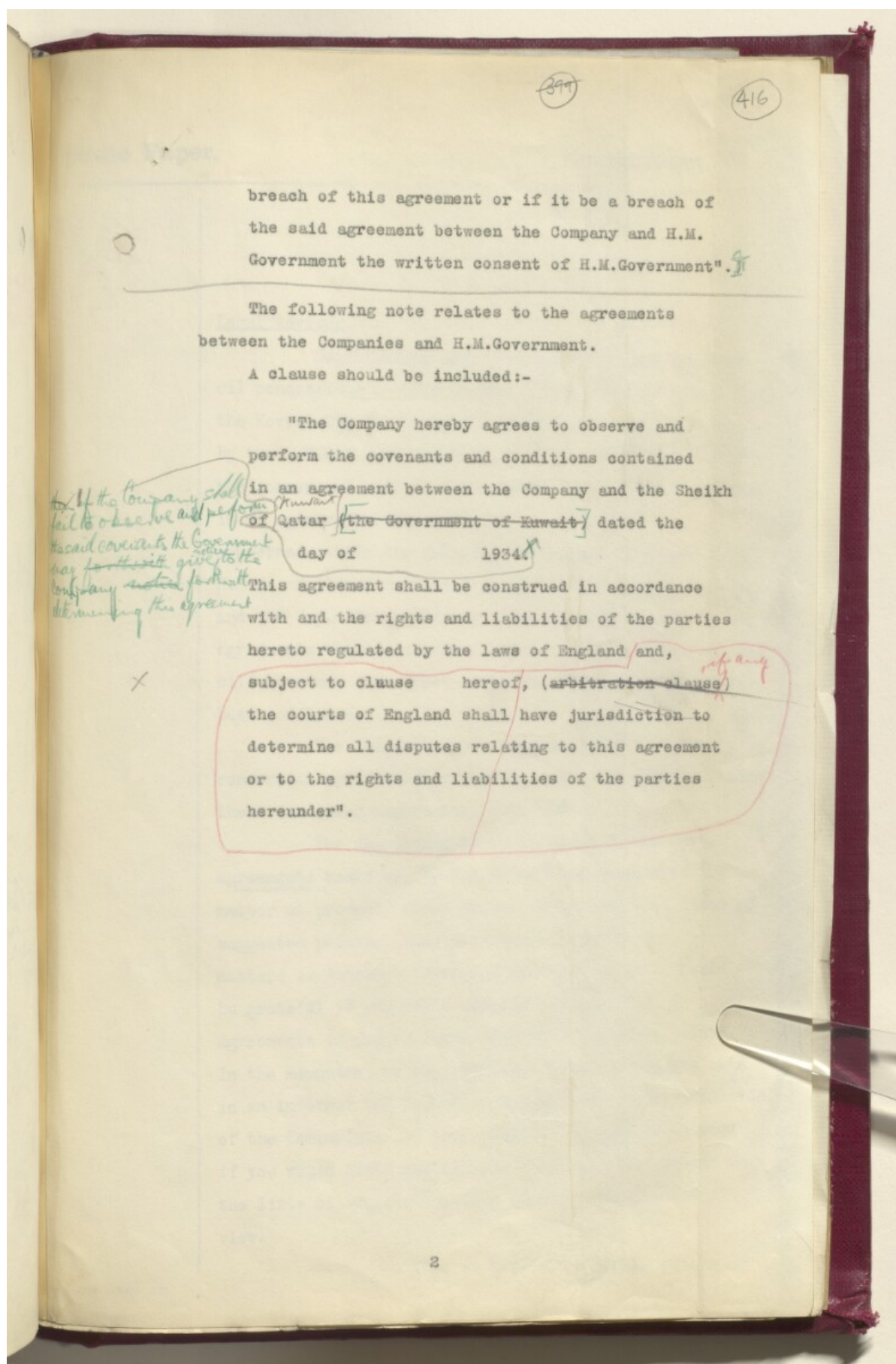
"This agreement shall take effect and be binding on the parties hereto immediately on an agreement being entered into between the Company and H.M. Government and no rights obligations or powers shall arise or be capable of taking effect or being enforced until the happening of that event". *and*

"This agreement shall take effect subject to the said agreement between the Company and H.M. Government and shall be modified thereby accordingly and the terms of this agreement so far as the same are inconsistent with the terms of the said agreement between the Company and H.M. Government shall be null and void and of no effect and the Company hereby agrees to observe and perform the covenants and conditions contained in the said agreement between the Company and H.M. Government. Provided always that if the Company shall be guilty of a breach of any of the covenants or conditions contained in this agreement as modified (if at all) by the said agreement between the Company and H.M. Government or in the said agreement between the Company and H.M. Government then this agreement shall be thereby determined unless the Company shall have obtained before committing such breach the written consent of H.M. Government and of the Sheikh [the Government] to such breach if it be a

Kind of H.M. Government shall be determined by the said agreement between the Company and H.M. Government

breach





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breach of this agreement or if it be a breach of
the said agreement between the Company and H.M.
Government the written consent of H.M. Government".

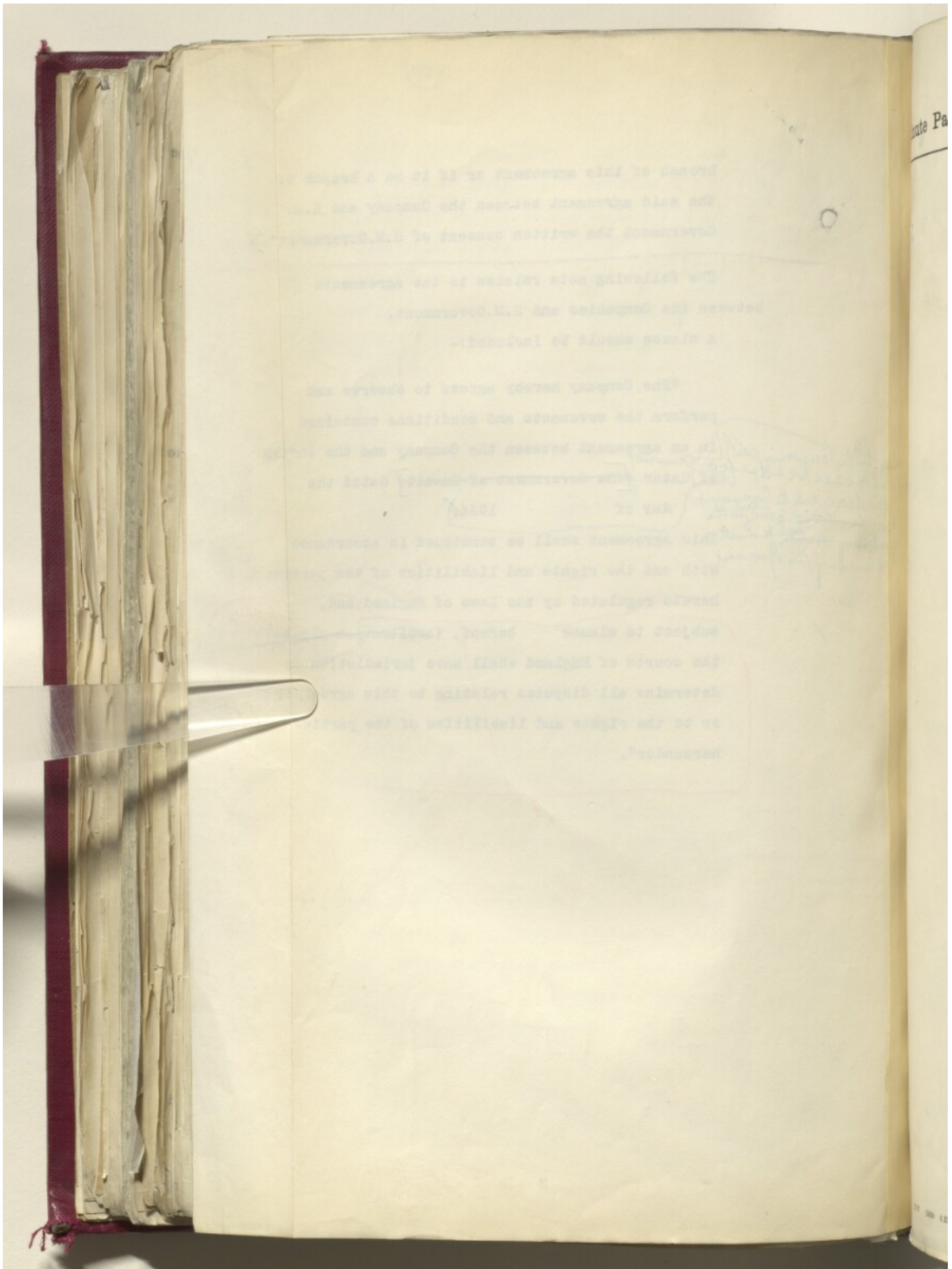
The following note relates to the agreements
between the Companies and H.M. Government.

A clause should be included:-

"The Company hereby agrees to observe and
perform the covenants and conditions contained
in an agreement between the Company and the Sheikh
of Qatar ^{Minister} ~~the Government of Kuwait~~ dated the
day of 1934

*If the Company shall
fail to observe and perform
the said covenants the Government
may forthwith give to the
Company notice forthwith
terminating this agreement*

This agreement shall be construed in accordance
with and the rights and liabilities of the parties
hereto regulated by the laws of England and,
subject to clause hereof, ^{arbitration} ~~(arbitration clause)~~
the courts of England shall have jurisdiction to
determine all disputes relating to this agreement
or to the rights and liabilities of the parties
hereunder".





Minute Paper.

Department.

Legal Adviser.

Negotiations are in progress for the grant of oil concessions in Qatr to the A.P.O.C. and in Koweit to the Koweit Oil Co. (which is controlled in equal shares by the A.P.O.C. and the Gulf Co. of the U.S.A.), ^{It is proposed} and that the commercial side of each concession should be embodied in an agreement between the Coy. and the Sheikh concerned, while the political safeguards required by H.M.G. should be contained in agreements between H.M.G. and the Coy. It is proposed that the commercial agreements should contain a clause to the effect that they will not come into force until the Govt. agreements have been concluded.

The Companies have prepared drafts of the commercial agreements, of which copies are attached, and these are under negotiation with them.

The desiderata to be included in the Govt. agreements would be, so far as we have considered the matter at present, those stated in the attached lists of suggested points. When consideration of these matters is somewhat further advanced, the Dept. would be grateful if you would prepare the ^{first} drafts of agreements in proper legal form to cover these points. In the meantime, we may possibly desire to discuss them in an informal and tentative way with the representatives of the Companies. At this stage, I should be grateful if you would state whether you have any observations on the lists of suggested points from the legal point of view.

Could you also at this stage kindly advise on the/

2119 5000 8.33



the drafting of a clause for inclusion in the commercial agreements to provide that they will not come into force until the Govt. agreements have been concluded. Subject to your views, it seems desirable that such a clause, besides being of general application, should specifically cover the following points:-

(a) that the Coy. will not transfer the concession or form any subsidiary company to work it, pending the conclusion of the Govt. agreement;

(b) provision that the Coy. undertakes to carry out all the obligations of the Govt. agreement, notwithstanding anything contained in the commercial agreement.

J. S. Salter
17. 1. 24



ANNEXURE A.

Provisions for local refining.

Refinery.

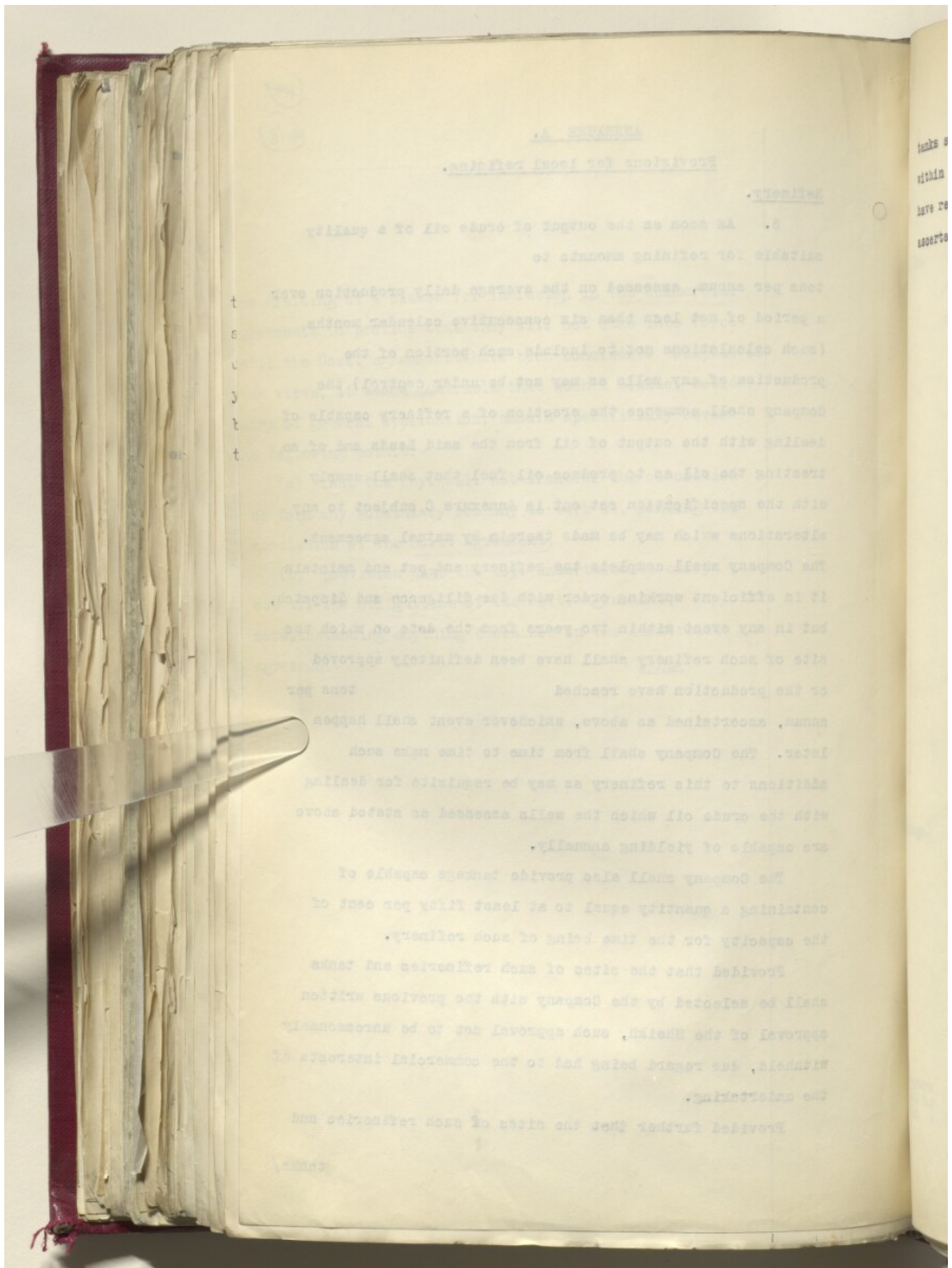
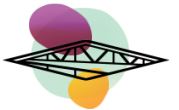
5. As soon as the output of crude oil of a quality suitable for refining amounts to tons per annum, assessed on the average daily production over a period of not less than six consecutive calendar months (such calculations not to include such portion of the production of any wells as may not be under control) the Company shall commence the erection of a refinery capable of dealing with the output of oil from the said Lands and of so treating the oil as to produce oil fuel that shall comply with the specification set out in Annexure C subject to any alterations which may be made therein by mutual agreement. The Company shall complete the refinery and put and maintain it in efficient working order with due diligence and dispatch, but in any event within two years from the date on which the site of such refinery shall have been definitely approved or the production have reached tons per annum, ascertained as above, whichever event shall happen later. The Company shall from time to time make such additions to this refinery as may be requisite for dealing with the crude oil which the wells assessed as stated above are capable of yielding annually.

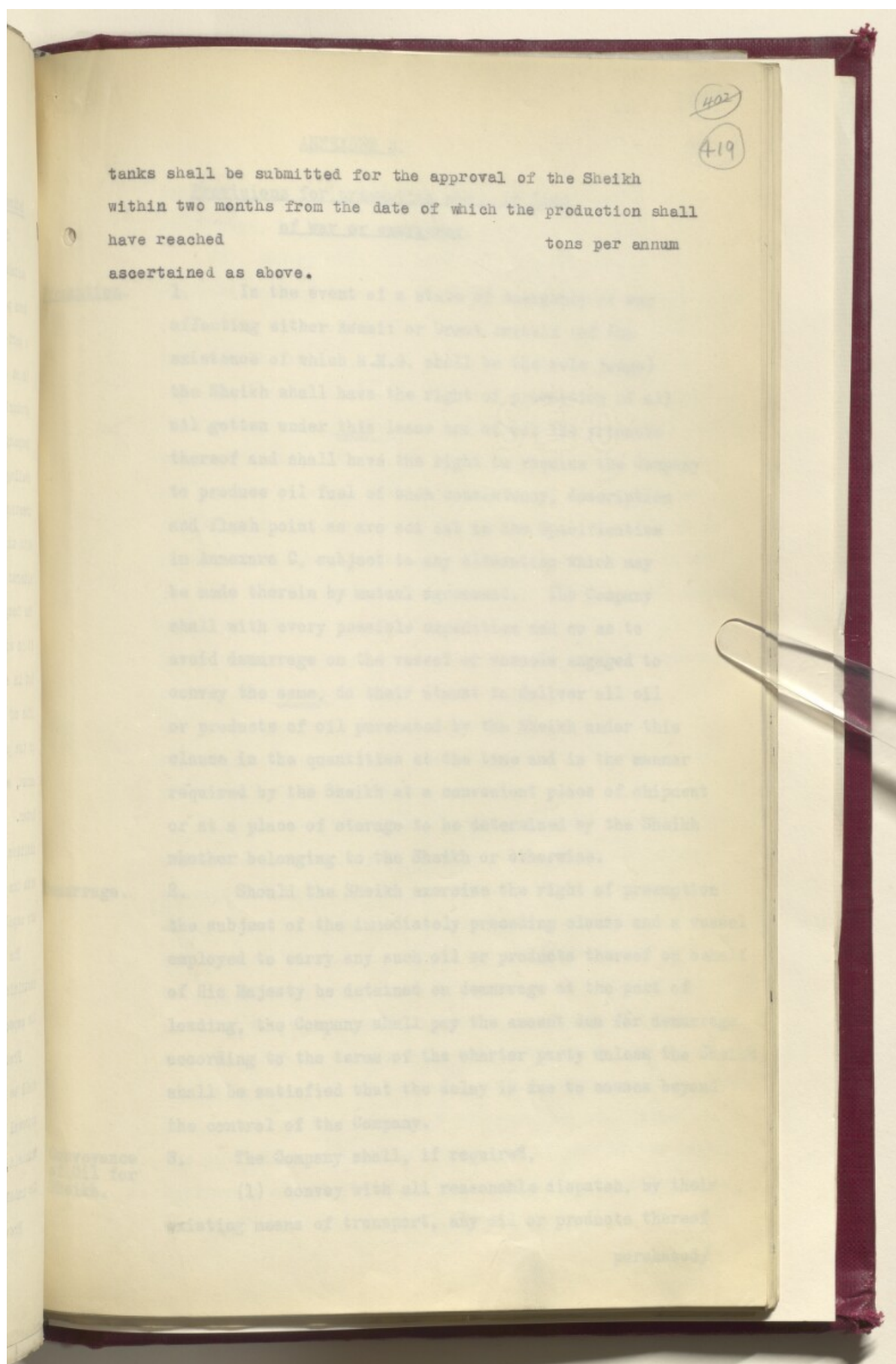
The Company shall also provide tankage capable of containing a quantity equal to at least fifty per cent of the capacity for the time being of such refinery.

Provided that the sites of such refineries and tanks shall be selected by the Company with the previous written approval of the Sheikh, such approval not to be unreasonably withheld, due regard being had to the commercial interests of the undertaking.

Provided further that the sites of such refineries and

tanks/



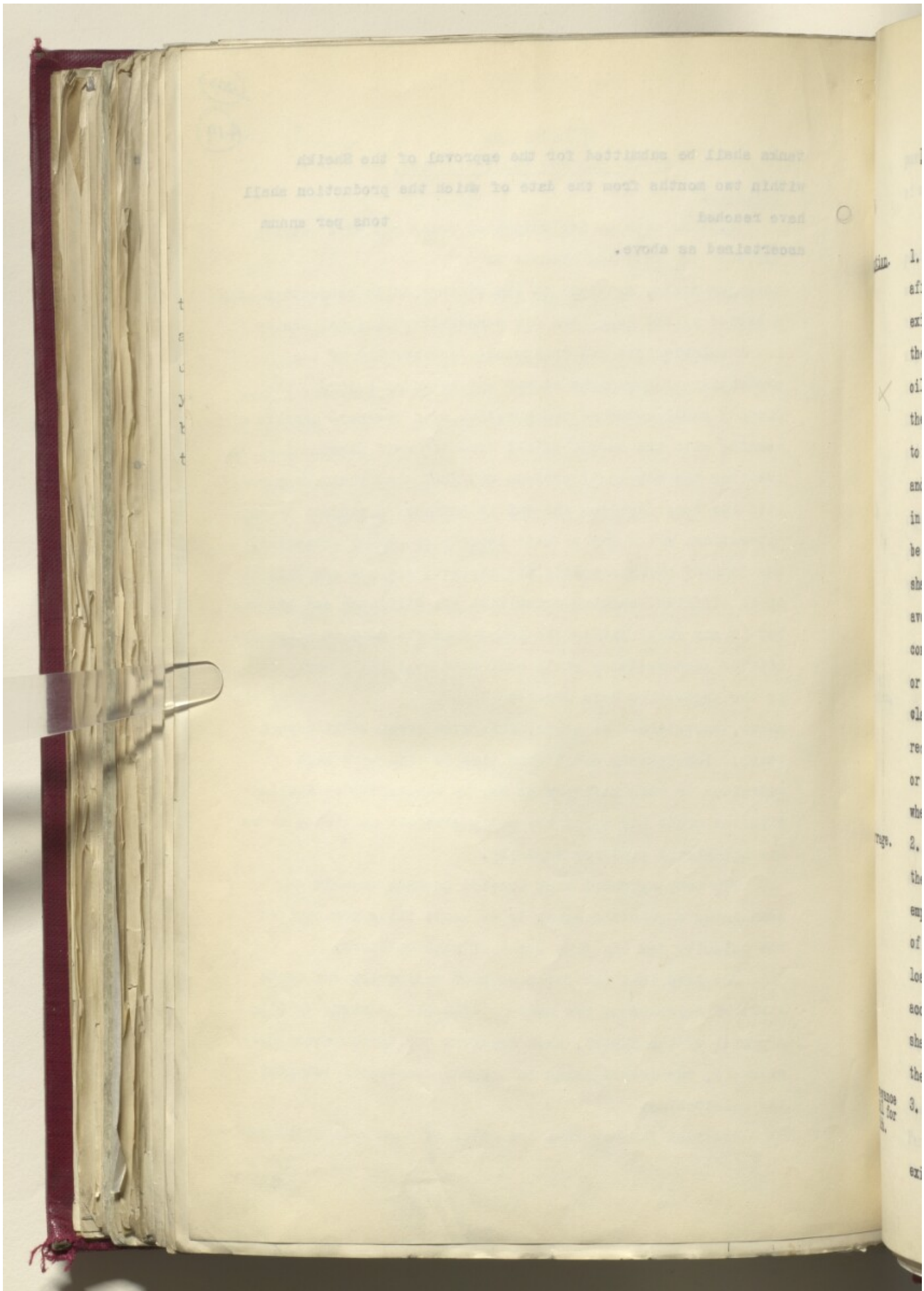


tanks shall be submitted for the approval of the Sheikh
within two months from the date of which the production shall
have reached _____ tons per annum
ascertained as above.

1. In the event of a state of hostility or war
affecting either Kuwait or Great Britain and the
existence of which a B.E. shall be the sole judge)
the Sheikh shall have the right of possession of all
oil gotten under this lease and of all its proceeds
thereof and shall have the right to require the Company
to produce oil fuel of such composition, description
and flash point as are set out in the specifications
in Annexure C, subject to any alterations which may
be made therein by mutual agreement. The Company
shall with every possible expedition and so as to
avoid damage to the vessel or vessels engaged to
convey the same, do their utmost to deliver all oil
or products of oil purchased by the Sheikh under this
clause in the quantities at the time and in the manner
required by the Sheikh at a convenient place of shipment
or at a place of storage to be determined by the Sheikh
whether belonging to the Sheikh or otherwise.

2. Should the Sheikh exercise the right of possession
the subject of the immediately preceding clause and a vessel
employed to carry any such oil or products thereof on behalf
of His Majesty be detained or damaged at the port of
loading, the Company shall pay the amount due for damage
according to the terms of the charter party unless the Sheikh
shall be satisfied that the delay is due to causes beyond
the control of the Company.

3. The Company shall, if required,
(1) convey with all reasonable dispatch, by their
existing means of transport, any oil or products thereof





ANNEXURE B.

Provisions for preemption etc., in time of war or emergency.

Preemption.

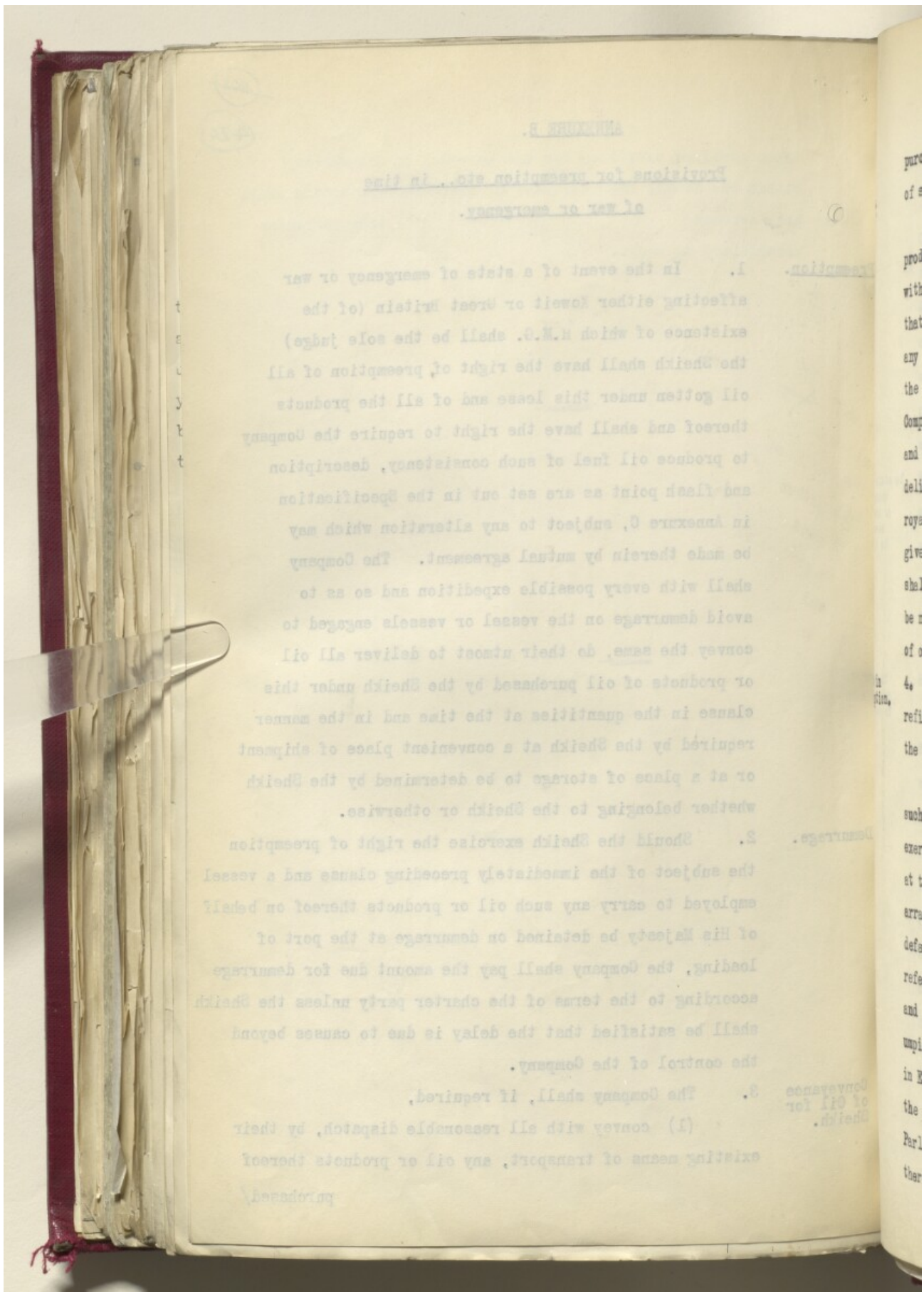
1. In the event of a state of emergency or war affecting either Koweit or Great Britain (of the existence of which H.M.G. shall be the sole judge) the Sheikh shall have the right of preemption of all oil gotten under this lease and of all the products thereof and shall have the right to require the Company to produce oil fuel of such consistency, description and flash point as are set out in the Specification in Annexure C, subject to any alteration which may be made therein by mutual agreement. The Company shall with every possible expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do their utmost to deliver all oil or products of oil purchased by the Sheikh under this clause in the quantities at the time and in the manner required by the Sheikh at a convenient place of shipment or at a place of storage to be determined by the Sheikh whether belonging to the Sheikh or otherwise.

Demurrage.

2. Should the Sheikh exercise the right of preemption the subject of the immediately preceding clause and a vessel employed to carry any such oil or products thereof on behalf of His Majesty be detained on demurrage at the port of loading, the Company shall pay the amount due for demurrage according to the terms of the charter party unless the Sheikh shall be satisfied that the delay is due to causes beyond the control of the Company.

Conveyance of Oil for Sheikh.

3. The Company shall, if required,
(1) convey with all reasonable dispatch, by their existing means of transport, any oil or products thereof purchased/





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purchased by the Sheikh from their refining work or place of storage, to the appointed place of delivery and

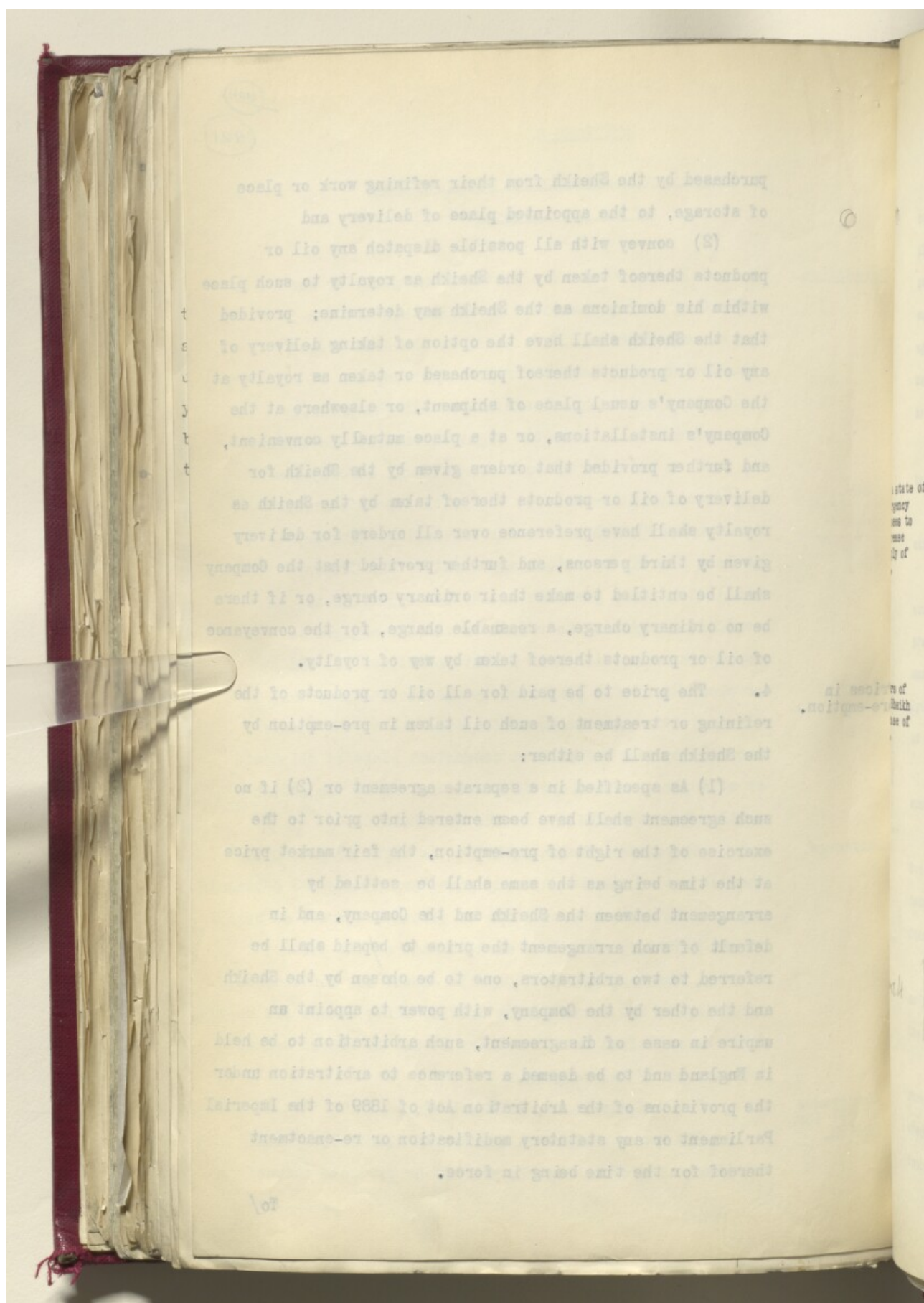
(2) convey with all possible dispatch any oil or products thereof taken by the Sheikh as royalty to such place within his dominions as the Sheikh may determine; provided that the Sheikh shall have the option of taking delivery of any oil or products thereof purchased or taken as royalty at the Company's usual place of shipment, or elsewhere at the Company's installations, or at a place mutually convenient, and further provided that orders given by the Sheikh for delivery of oil or products thereof taken by the Sheikh as royalty shall have preference over all orders for delivery given by third persons, and further provided that the Company shall be entitled to make their ordinary charge, or if there be no ordinary charge, a reasonable charge, for the conveyance of oil or products thereof taken by way of royalty.

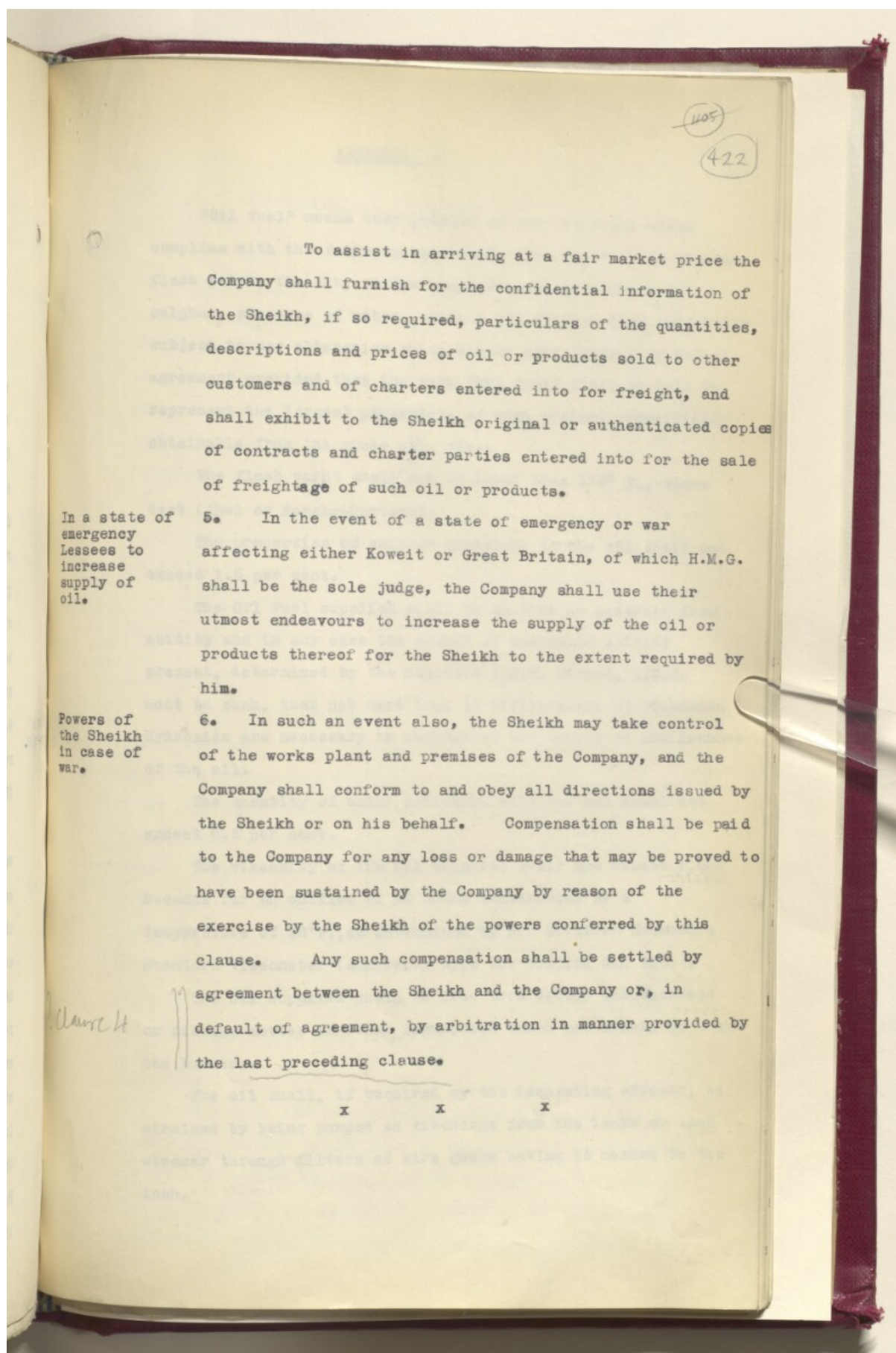
Prices in
pre-emption.

4. The price to be paid for all oil or products of the refining or treatment of such oil taken in pre-emption by the Sheikh shall be either:

(1) As specified in a separate agreement or (2) if no such agreement shall have been entered into prior to the exercise of the right of pre-emption, the fair market price at the time being as the same shall be settled by arrangement between the Sheikh and the Company, and in default of such arrangement the price to be paid shall be referred to two arbitrators, one to be chosen by the Sheikh and the other by the Company, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 of the Imperial Parliament or any statutory modification or re-enactment thereof for the time being in force.

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To assist in arriving at a fair market price the Company shall furnish for the confidential information of the Sheikh, if so required, particulars of the quantities, descriptions and prices of oil or products sold to other customers and of charters entered into for freight, and shall exhibit to the Sheikh original or authenticated copies of contracts and charter parties entered into for the sale of freightage of such oil or products.

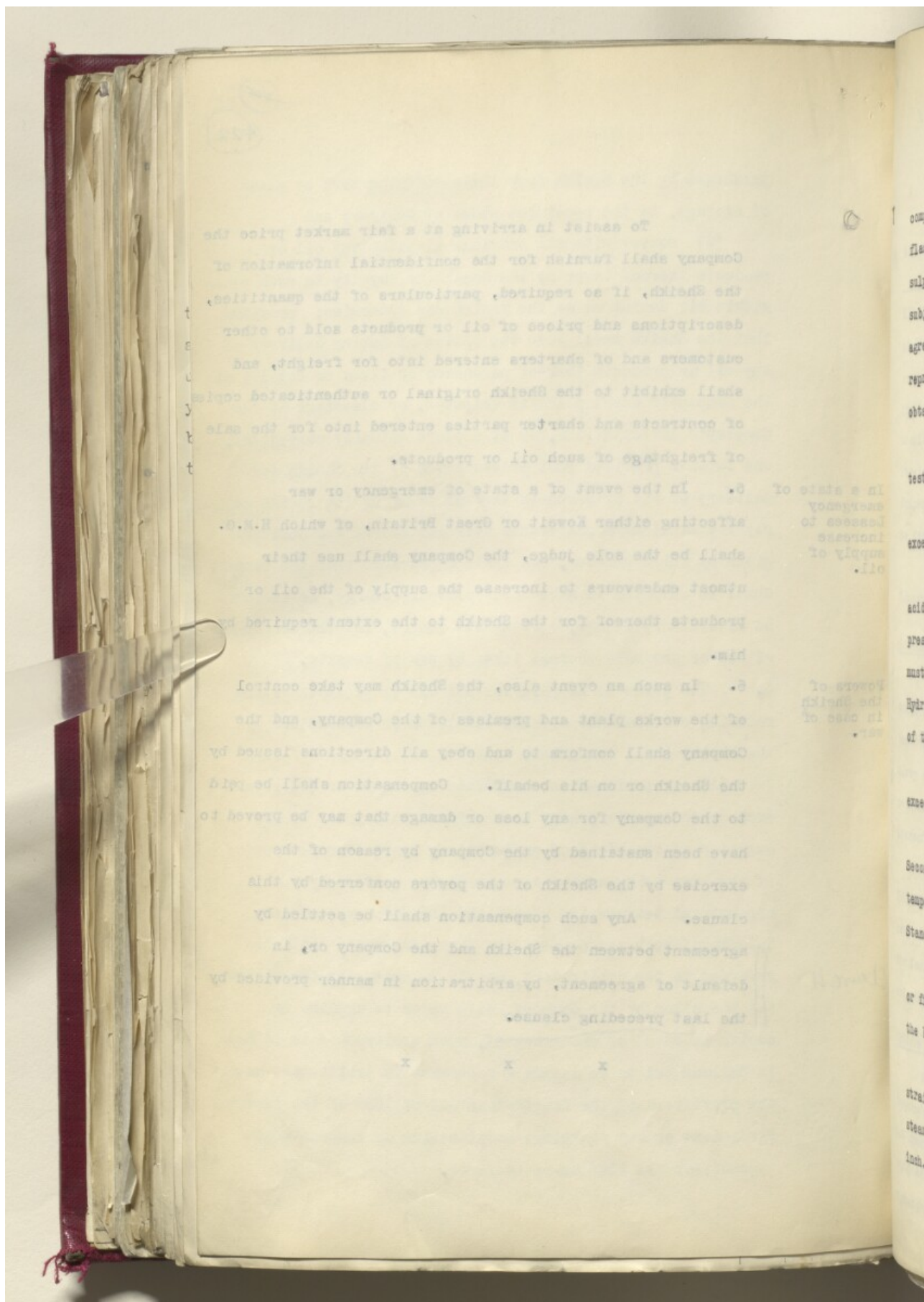
In a state of emergency Lessees to increase supply of oil.

5. In the event of a state of emergency or war affecting either Koweit or Great Britain, of which H.M.G. shall be the sole judge, the Company shall use their utmost endeavours to increase the supply of the oil or products thereof for the Sheikh to the extent required by him.

Powers of the Sheikh in case of war.

6. In such an event also, the Sheikh may take control of the works plant and premises of the Company, and the Company shall conform to and obey all directions issued by the Sheikh or on his behalf. Compensation shall be paid to the Company for any loss or damage that may be proved to have been sustained by the Company by reason of the exercise by the Sheikh of the powers conferred by this clause. Any such compensation shall be settled by agreement between the Sheikh and the Company or, in default of agreement, by arbitration in manner provided by the last preceding clause.

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ANNEXURE C.

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"Oil fuel" means that product of the crude oil which complies with the following Admiralty Specification as regards flash point, fluidity at low temperatures, percentage of sulphur, presence of water, acidity and freedom from impurities subject to any alteration which may be made therein by mutual agreement provided that the term "oil fuel" shall be held to represent the largest percentage of such product commercially obtainable from the crude oil, viz:-

The flash point shall not be lower than 175° F., close test (Abel or Pensky-Martens).

The proportion of sulphur contained in the oil shall not exceed 1.5 per cent.

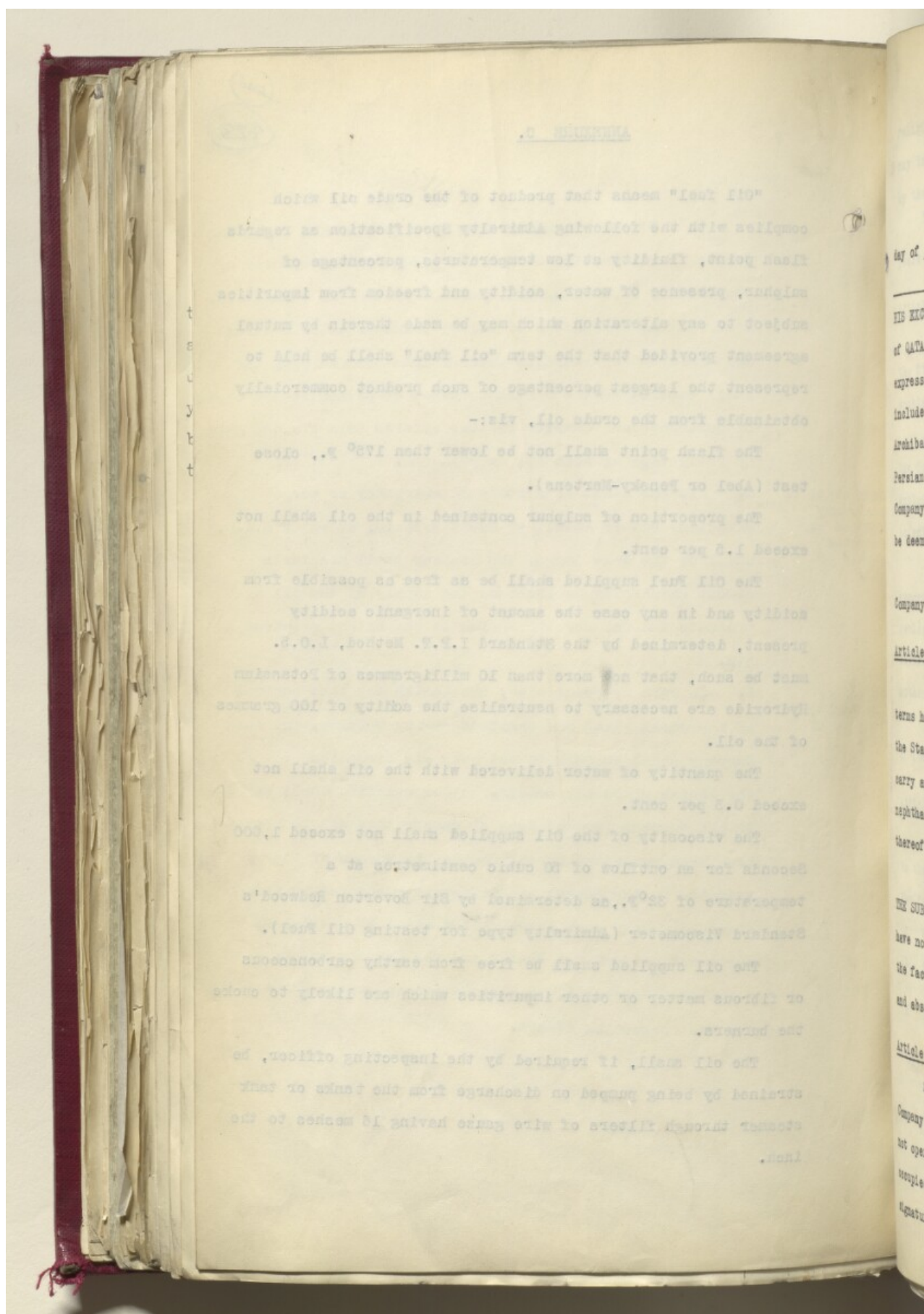
The Oil Fuel supplied shall be as free as possible from acidity and in any case the amount of inorganic acidity present, determined by the Standard I.P.T. Method, L.O.5. must be such, that not more than 10 milligrammes of Potassium Hydroxide are necessary to neutralise the acidity of 100 grammes of the oil.

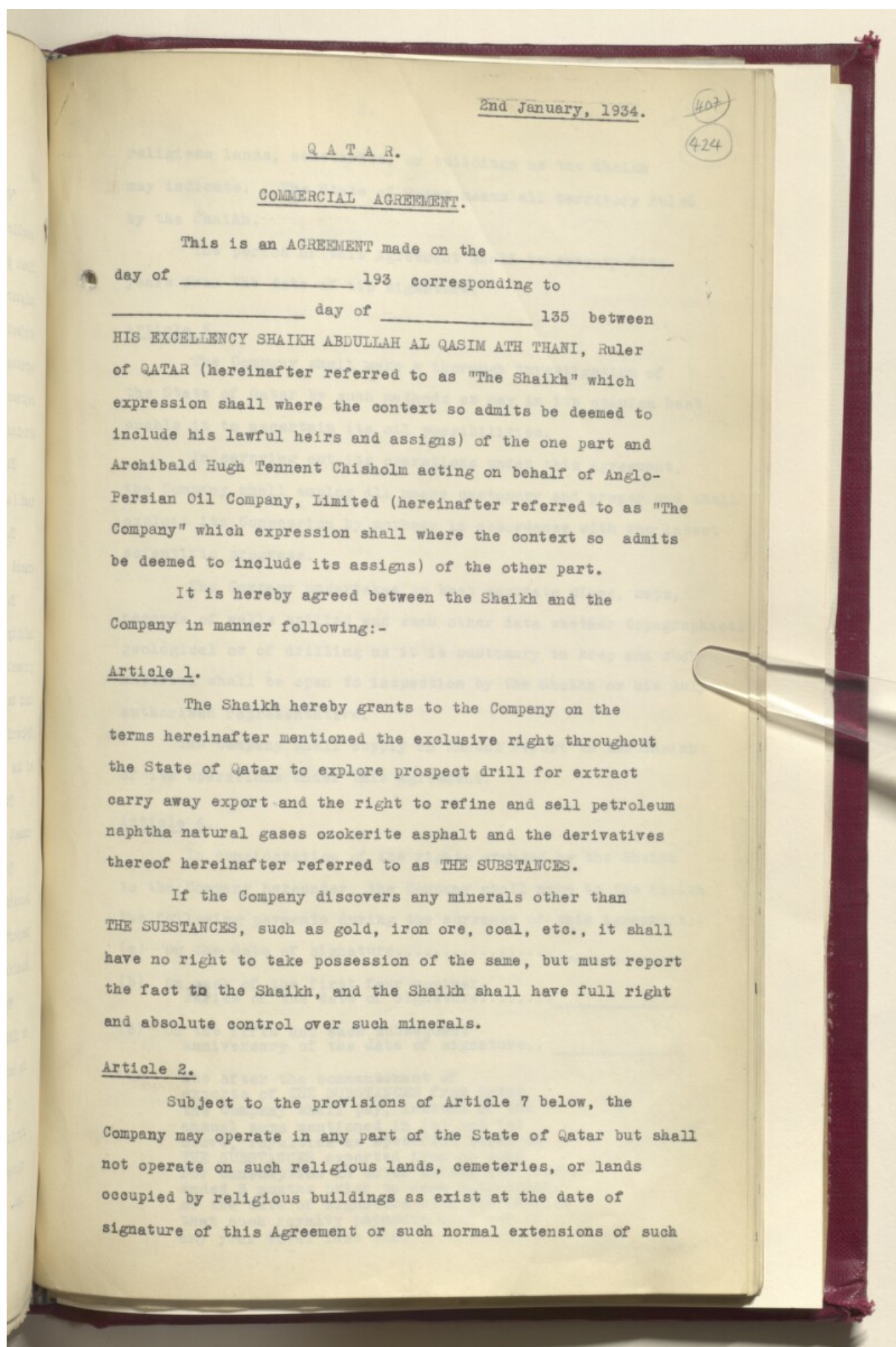
The quantity of water delivered with the oil shall not exceed 0.5 per cent.

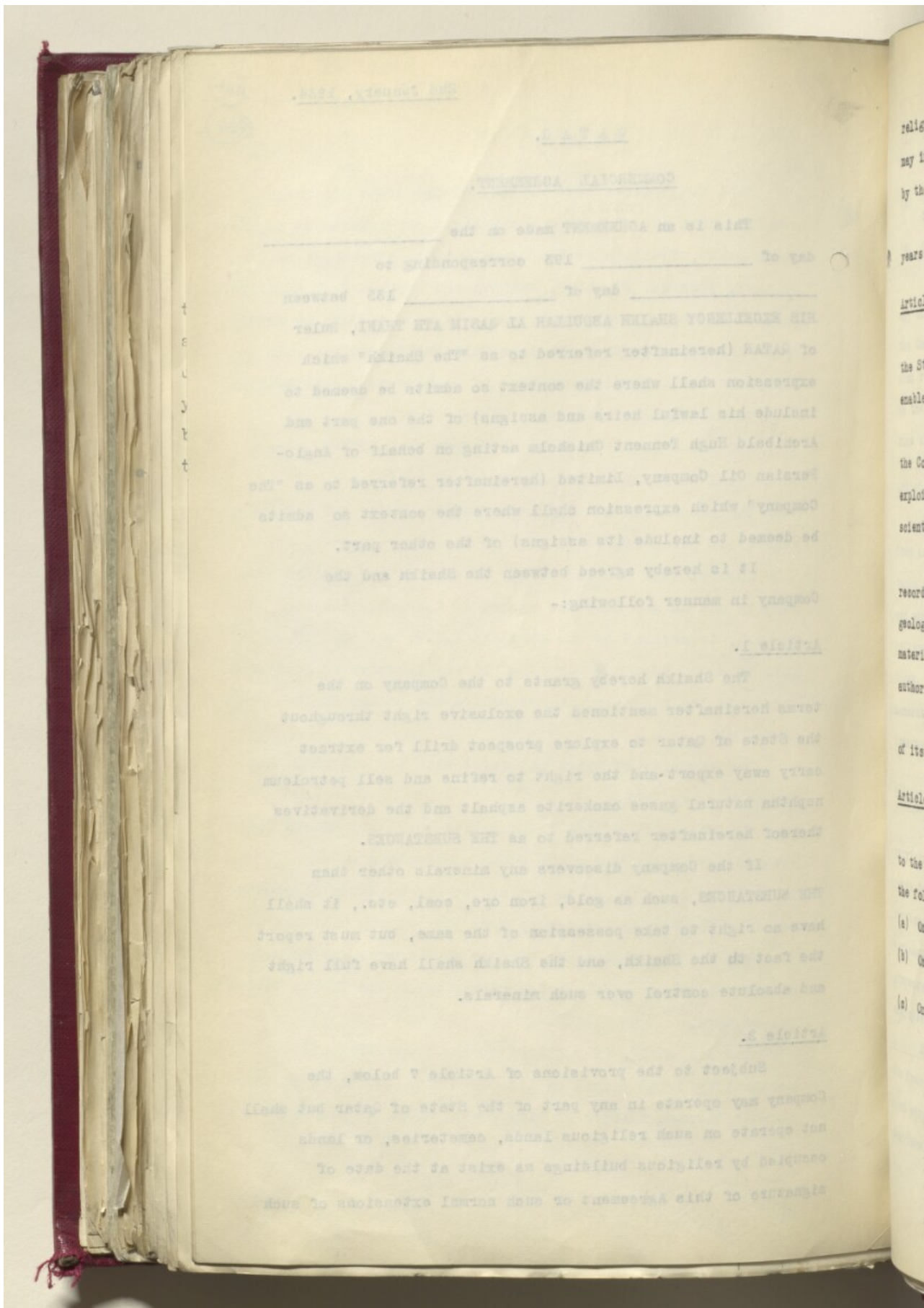
The viscosity of the Oil supplied shall not exceed 1,000 Seconds for an outflow of 50 cubic centimetres at a temperature of 32°F., as determined by Sir Boverton Redwood's Standard Viscometer (Admiralty type for testing Oil Fuel).

The oil supplied shall be free from earthy carbonaceous or fibrous matter or other impurities which are likely to choke the burners.

The oil shall, if required by the inspecting officer, be strained by being pumped on discharge from the tanks or tank steamer through filters of wire gauze having 16 meshes to the inch.









2.

religious lands, cemeteries, or buildings as the Shaikh may indicate. The State of Qatar means all territory ruled by the Shaikh.

The period of this Agreement shall be seventy-five years from the date of its signature.

Article 3.

The Company shall make a thorough investigation of the State of Qatar by such methods as may in its opinion best enable it to ascertain its oil possibilities.

In carrying out its operations under this Agreement, the Company shall employ all means customary and proper and shall exploit its Concession by methods in accordance with the latest scientific progress.

The Company undertakes to keep accurate plans, maps, records of wells drilled and such other data whether topographical geological or of drilling as it is customary to keep and such material shall be open to inspection by the Shaikh or his duly authorised representative.

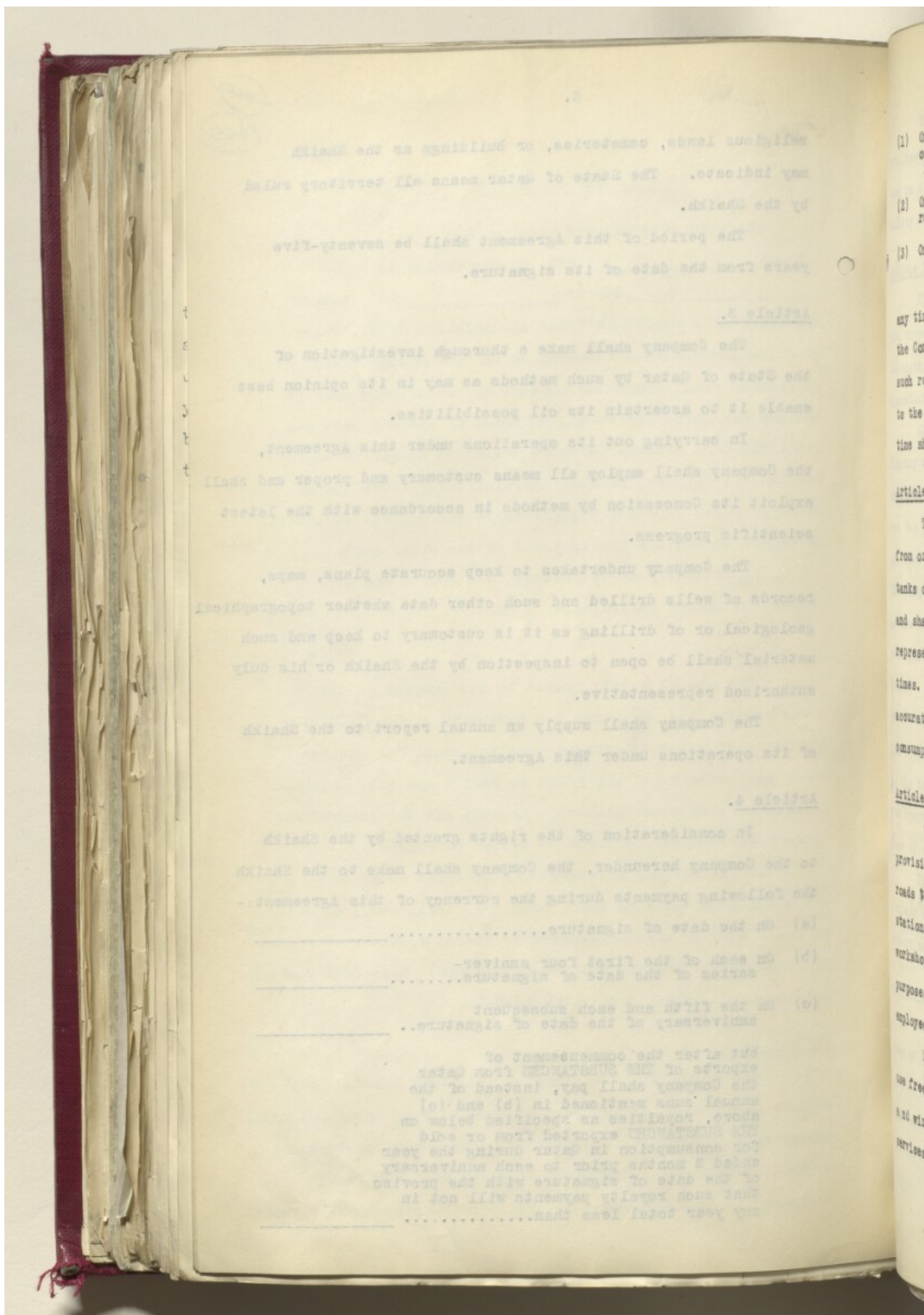
The Company shall supply an annual report to the Shaikh of its operations under this Agreement.

Article 4.

In consideration of the rights granted by the Shaikh to the Company hereunder, the Company shall make to the Shaikh the following payments during the currency of this Agreement:-

- (a) On the date of signature.....
- (b) On each of the first four anniversaries of the date of signature.....
- (c) On the fifth and each subsequent anniversary of the date of signature..

but after the commencement of exports of THE SUBSTANCES from Qatar the Company shall pay, instead of the annual sums mentioned in (b) and (c) above, royalties as specified below on THE SUBSTANCES exported from or sold for consumption in Qatar during the year ended 3 months prior to each anniversary of the date of signature with the proviso that such royalty payments will not in any year total less than.....





3.

- (1) On all THE SUBSTANCES other than asphalt ozokerite and natural gas royalty at the rate of.....
- (2) On asphalt and ozokerite royalty at the rate of.....
- (3) On natural gas royalty at the rate of...

If the Shaikh shall require payment of royalties at any time other than an anniversary of the date of signature the Company shall on notice being given by the Shaikh pay such royalties as may have accrued up to a date 3 months prior to the receipt of such notice from the Shaikh and a reasonable time shall be allowed to the Company to effect the payment.

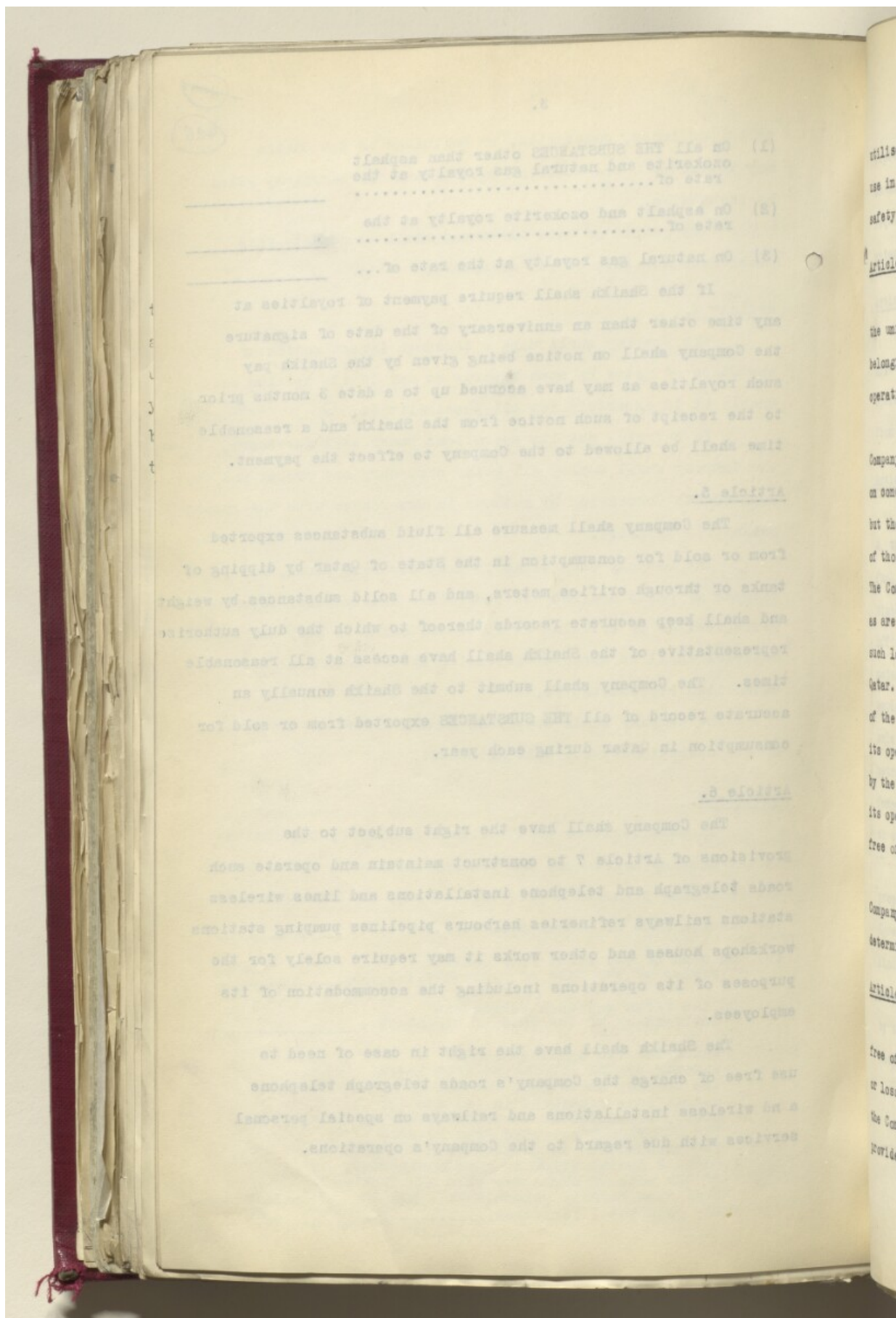
Article 5.

The Company shall measure all fluid substances exported from or sold for consumption in the State of Qatar by dipping of tanks or through orifice meters, and all solid substances by weight and shall keep accurate records thereof to which the duly authorised representative of the Shaikh shall have access at all reasonable times. The Company shall submit to the Shaikh annually an accurate record of all THE SUBSTANCES exported from or sold for consumption in Qatar during each year.

Article 6.

The Company shall have the right subject to the provisions of Article 7 to construct maintain and operate such roads telegraph and telephone installations and lines wireless stations railways refineries harbours pipelines pumping stations workshops houses and other works it may require solely for the purposes of its operations including the accommodation of its employees.

The Shaikh shall have the right in case of need to use free of charge the Company's roads telegraph telephone and wireless installations and railways on special personal services with due regard to the Company's operations.





4.

The Shaikh shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes with the safety of its operations.

Article 7.

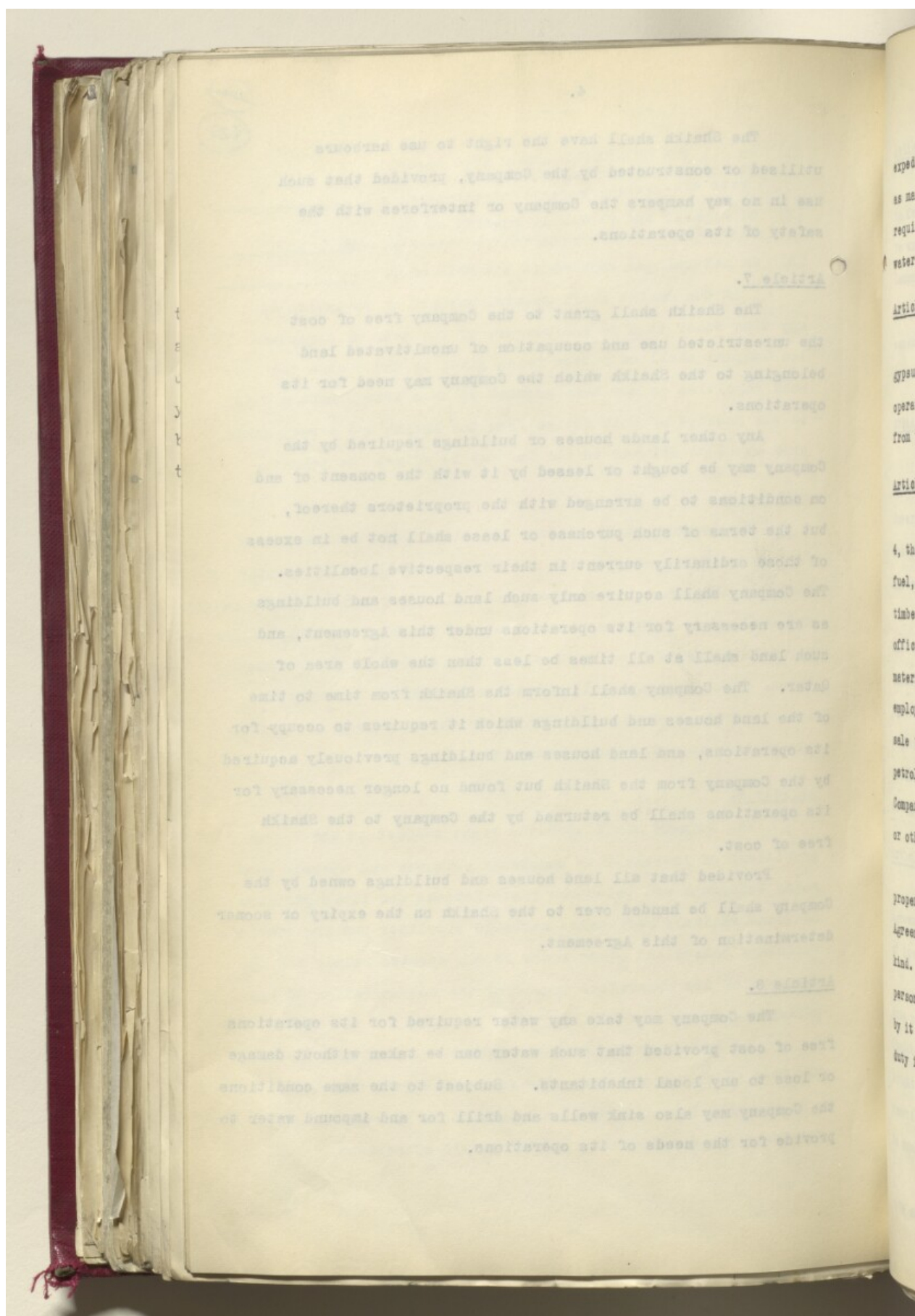
The Shaikh shall grant to the Company free of cost the unrestricted use and occupation of uncultivated land belonging to the Shaikh which the Company may need for its operations.

Any other lands houses or buildings required by the Company may be bought or leased by it with the consent of and on conditions to be arranged with the proprietors thereof, but the terms of such purchase or lease shall not be in excess of those ordinarily current in their respective localities. The Company shall acquire only such land houses and buildings as are necessary for its operations under this Agreement, and such land shall at all times be less than the whole area of Qatar. The Company shall inform the Shaikh from time to time of the land houses and buildings which it requires to occupy for its operations, and land houses and buildings previously acquired by the Company from the Shaikh but found no longer necessary for its operations shall be returned by the Company to the Shaikh free of cost.

Provided that all land houses and buildings owned by the Company shall be handed over to the Shaikh on the expiry or sooner determination of this Agreement.

Article 8.

The Company may take any water required for its operations free of cost provided that such water can be taken without damage or loss to any local inhabitants. Subject to the same conditions the Company may also sink wells and drill for and impound water to provide for the needs of its operations.





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In case of need, the Shaikh's army or military expeditions may take free of charge such quantities of water as may be at the Company's disposal after satisfying its own requirements. Similarly, the people may take any such surplus water for themselves and their animals free of charge.

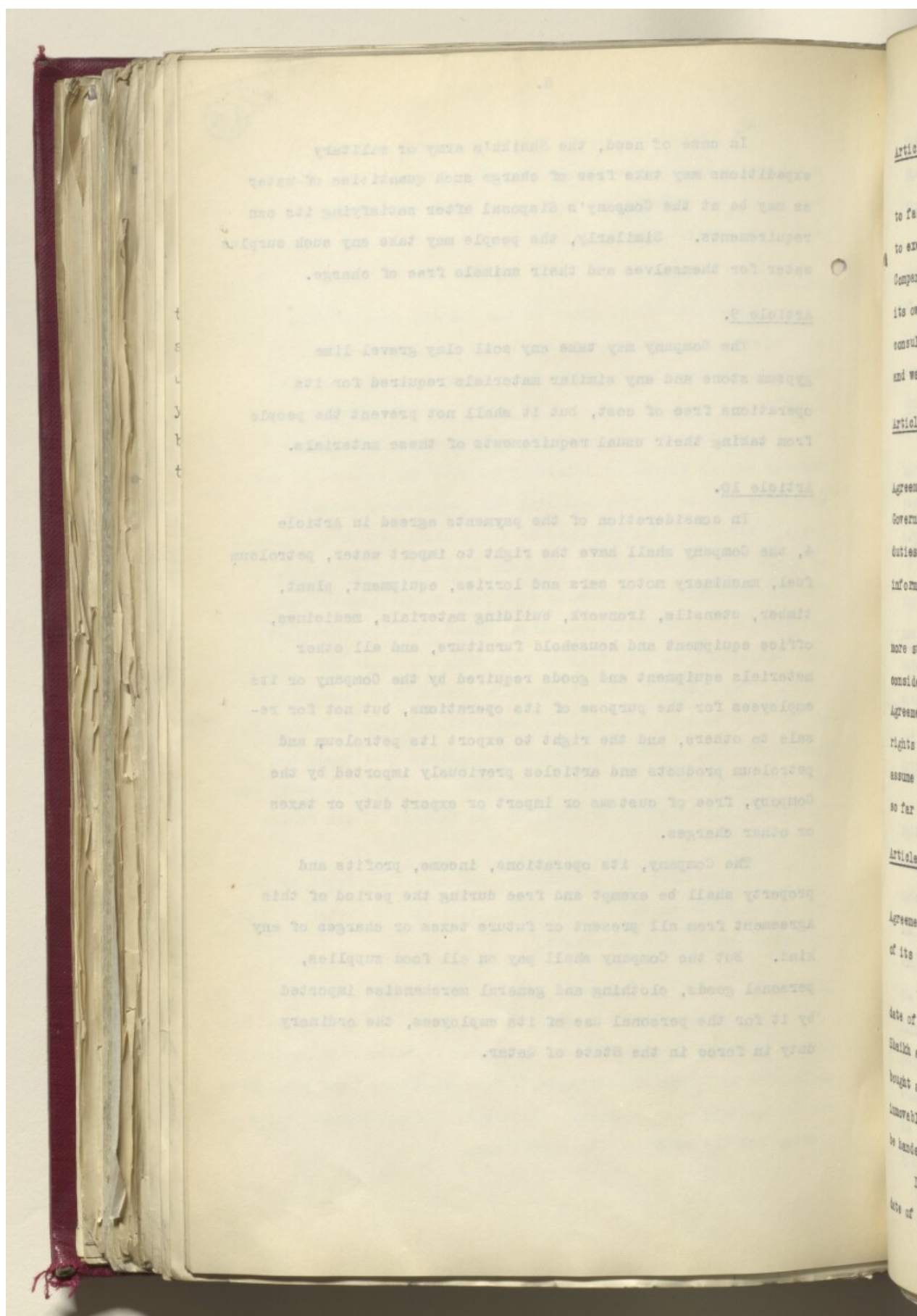
Article 9.

The Company may take any soil clay gravel lime gypsum stone and any similar materials required for its operations free of cost, but it shall not prevent the people from taking their usual requirements of these materials.

Article 10.

In consideration of the payments agreed in Article 4, the Company shall have the right to import water, petroleum fuel, machinery motor cars and lorries, equipment, plant, timber, utensils, ironwork, building materials, medicines, office equipment and household furniture, and all other materials equipment and goods required by the Company or its employees for the purpose of its operations, but not for re-sale to others, and the right to export its petroleum and petroleum products and articles previously imported by the Company, free of customs or import or export duty or taxes or other charges.

The Company, its operations, income, profits and property shall be exempt and free during the period of this Agreement from all present or future taxes or charges of any kind. But the Company shall pay on all food supplies, personal goods, clothing and general merchandise imported by it for the personal use of its employees, the ordinary duty in force in the State of Qatar.





6.

Article 11.

The Shaikh agrees to give all necessary assistance to facilitate the carrying out of this Agreement, and also to exert his authority to protect as far as possible the Company's personnel and property. The Company also will make its own arrangements in this connection by engaging, in consultation with the Shaikh, and paying the necessary guards and watchmen.

Article 12.

The Company shall have the right to transfer this Agreement to any other commercial Company but not to any Government subject to such Company being able to fulfil all the duties and obligations of this Agreement. The Company shall inform the Shaikh if it so transfers this Agreement.

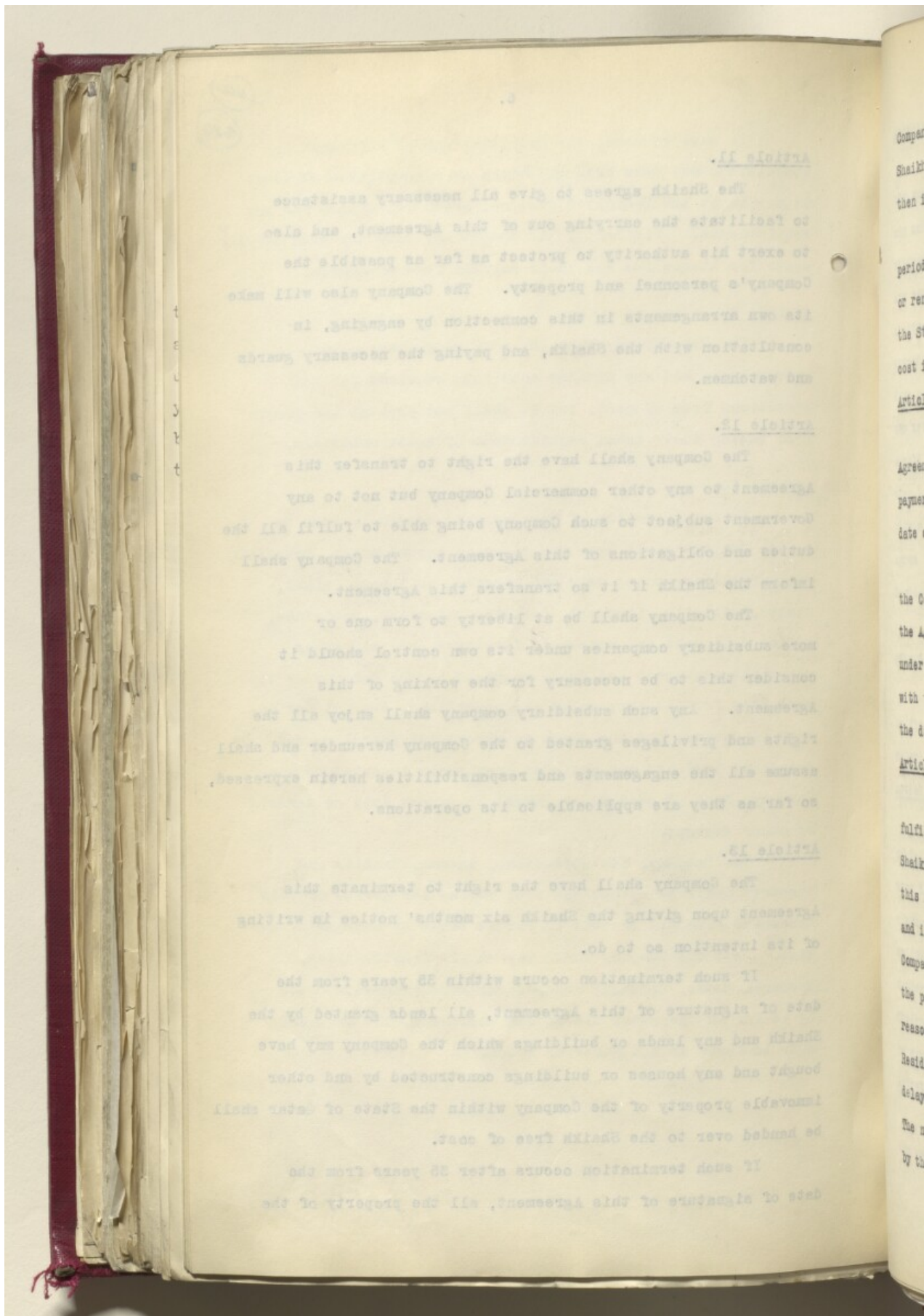
The Company shall be at liberty to form one or more subsidiary companies under its own control should it consider this to be necessary for the working of this Agreement. Any such subsidiary company shall enjoy all the rights and privileges granted to the Company hereunder and shall assume all the engagements and responsibilities herein expressed, so far as they are applicable to its operations.

Article 13.

The Company shall have the right to terminate this Agreement upon giving the Shaikh six months' notice in writing of its intention so to do.

If such termination occurs within 35 years from the date of signature of this Agreement, all lands granted by the Shaikh and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Qatar shall be handed over to the Shaikh free of cost.

If such termination occurs after 35 years from the date of signature of this Agreement, all the property of the





7.

Company in the State of Qatar shall be handed over to the Shaikh free of cost in such working condition as the property then is.

On the expiry of this Agreement at the end of the period of 75 years provided in Article 2, or of any extension or renewal of that period all the property of the Company in the State of Qatar shall be handed over to the Shaikh free of cost in such working condition as the property then is.

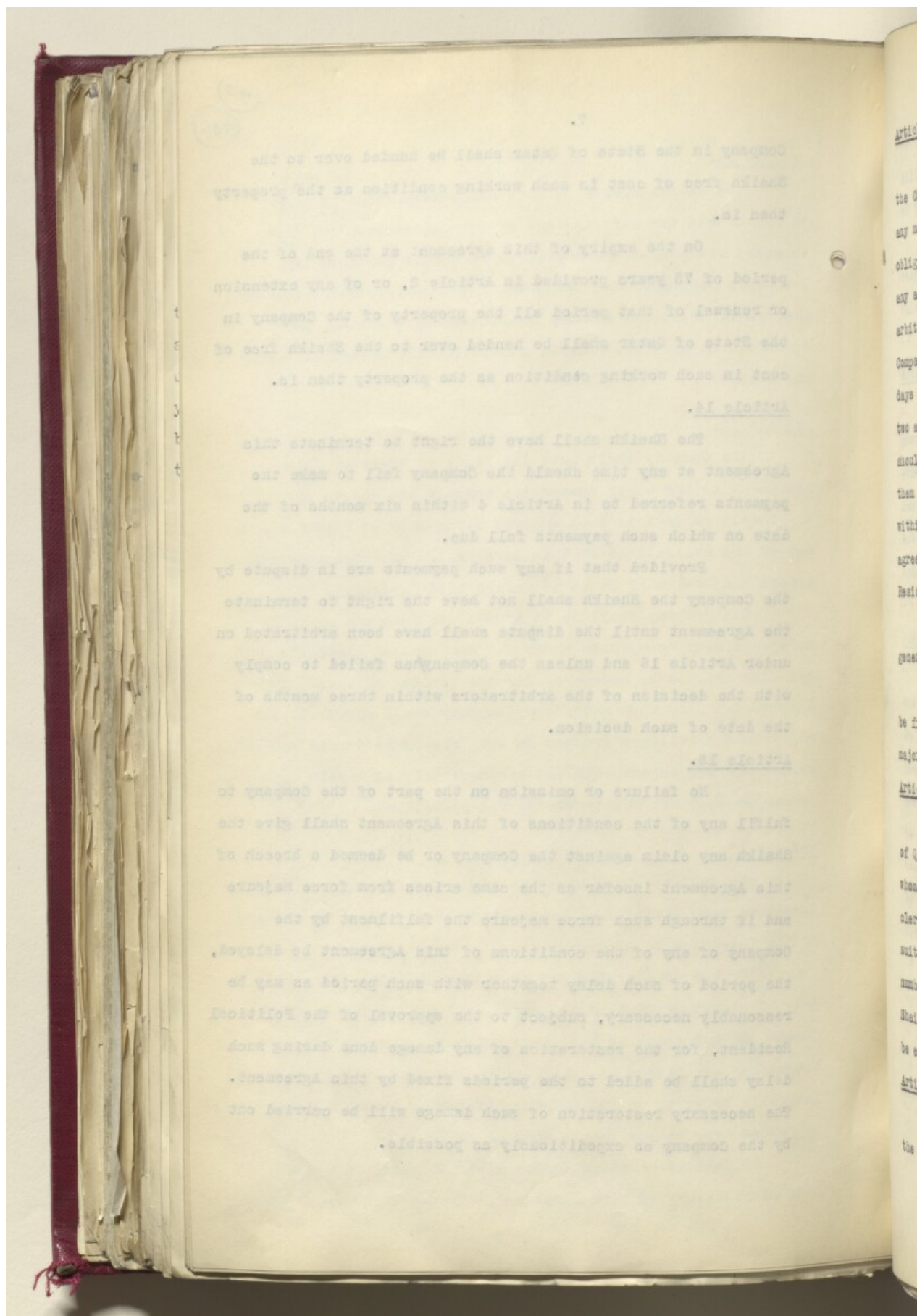
Article 14.

The Shaikh shall have the right to terminate this Agreement at any time should the Company fail to make the payments referred to in Article 4 within six months of the date on which such payments fall due.

Provided that if any such payments are in dispute by the Company the Shaikh shall not have the right to terminate the Agreement until the dispute shall have been arbitrated on under Article 16 and unless the Company has failed to comply with the decision of the arbitrators within three months of the date of such decision.

Article 15.

No failure or omission on the part of the Company to fulfil any of the conditions of this Agreement shall give the Shaikh any claim against the Company or be deemed a breach of this Agreement insofar as the same arises from force majeure and if through such force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed, the period of such delay together with such period as may be reasonably necessary, subject to the approval of the Political Resident, for the restoration of any damage done during such delay shall be added to the periods fixed by this Agreement. The necessary restoration of such damage will be carried out by the Company as expeditiously as possible.





8.

Article 16.

If any dispute should arise between the Shaikh and the Company as to the interpretation of this Agreement or as to any matter arising out of it or with reference to the obligations of either party under it, such dispute shall, failing any agreement to settle it in any other way, be referred to two arbitrators, one to be nominated by the Shaikh and one by the Company. Each party shall nominate its arbitrator within 30 days of receiving a request from the other party to do so. The two arbitrators shall thereafter choose a third arbitrator. But should they, or any other two arbitrators appointed instead of them by the two parties, fail to agree on the third arbitrator within 60 days of the request to arbitrate, then both parties agree to accept a third arbitrator nominated by the Political Resident.

The award shall be made in accordance with the general principles of law recognised by civilised nations.

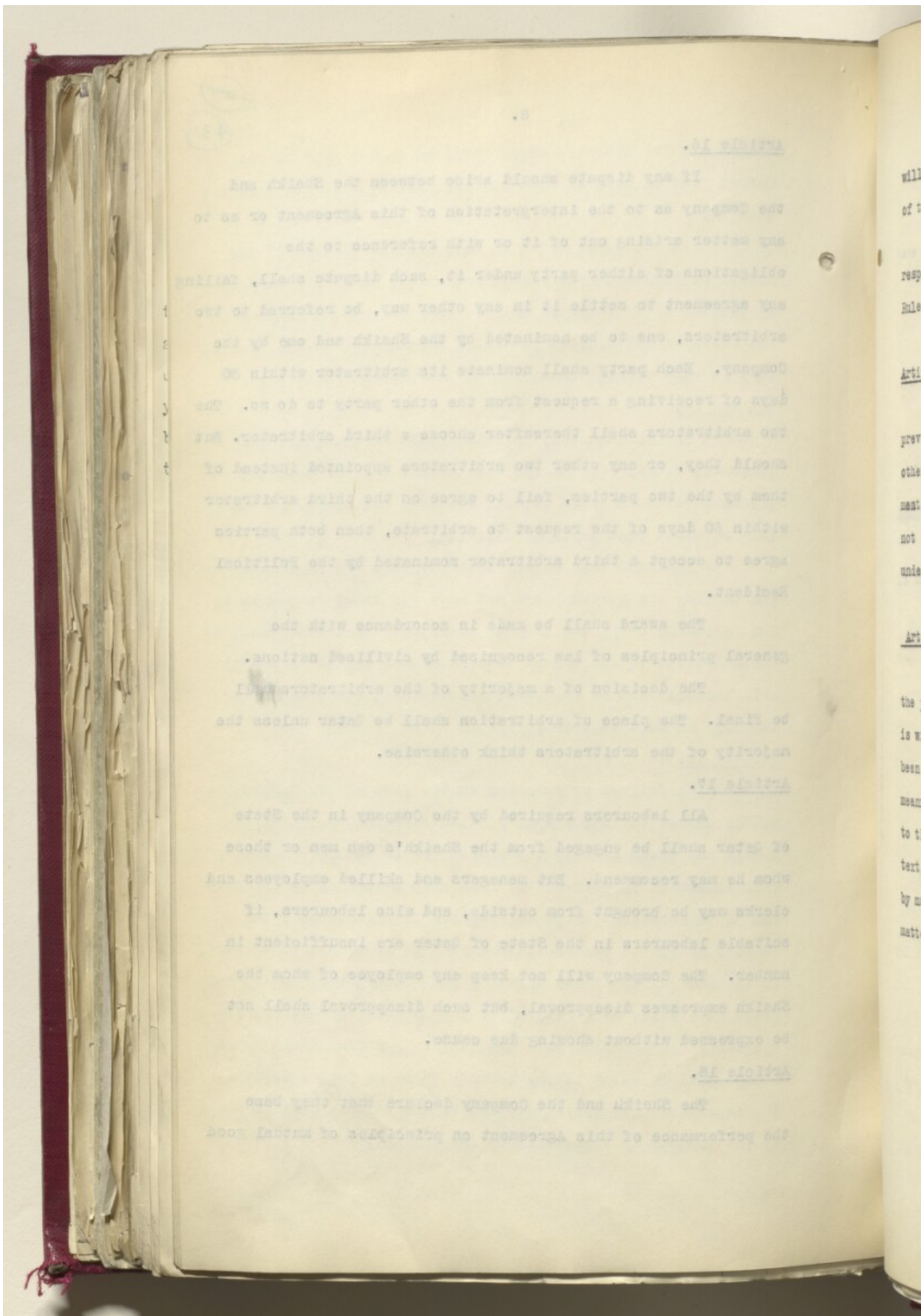
The decision of a majority of the arbitrators shall be final. The place of arbitration shall be Qatar unless the majority of the arbitrators think otherwise.

Article 17.

All labourers required by the Company in the State of Qatar shall be engaged from the Shaikh's own men or those whom he may recommend. But managers and skilled employees and clerks may be brought from outside, and also labourers, if suitable labourers in the State of Qatar are insufficient in number. The Company will not keep any employee of whom the Shaikh expresses disapproval, but such disapproval shall not be expressed without showing due cause.

Article 18.

The Shaikh and the Company declare that they base the performance of this Agreement on principles of mutual good





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will and good faith as well as on a reasonable interpretation of this Agreement.

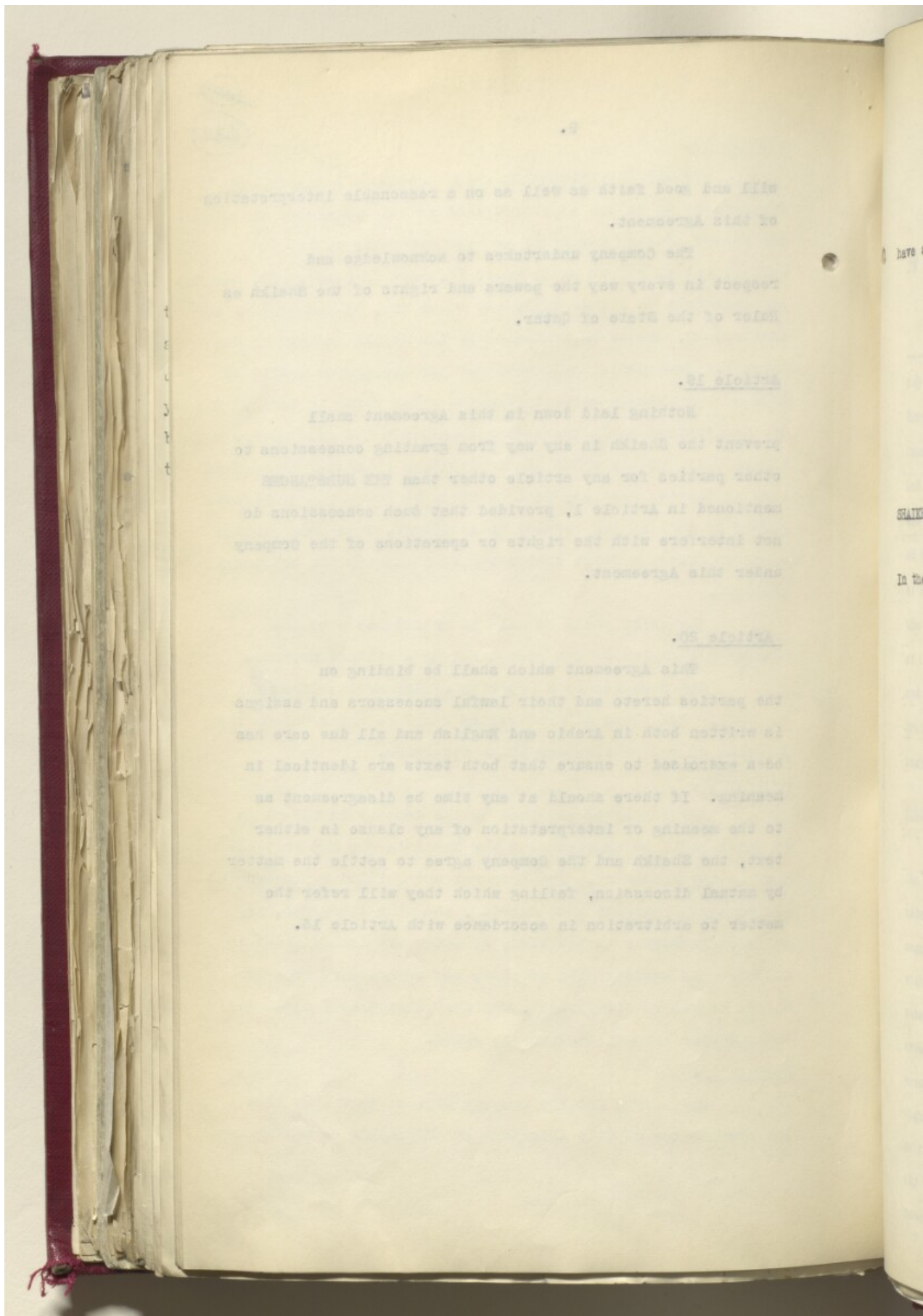
The Company undertakes to acknowledge and respect in every way the powers and rights of the Shaikh as Ruler of the State of Qatar.

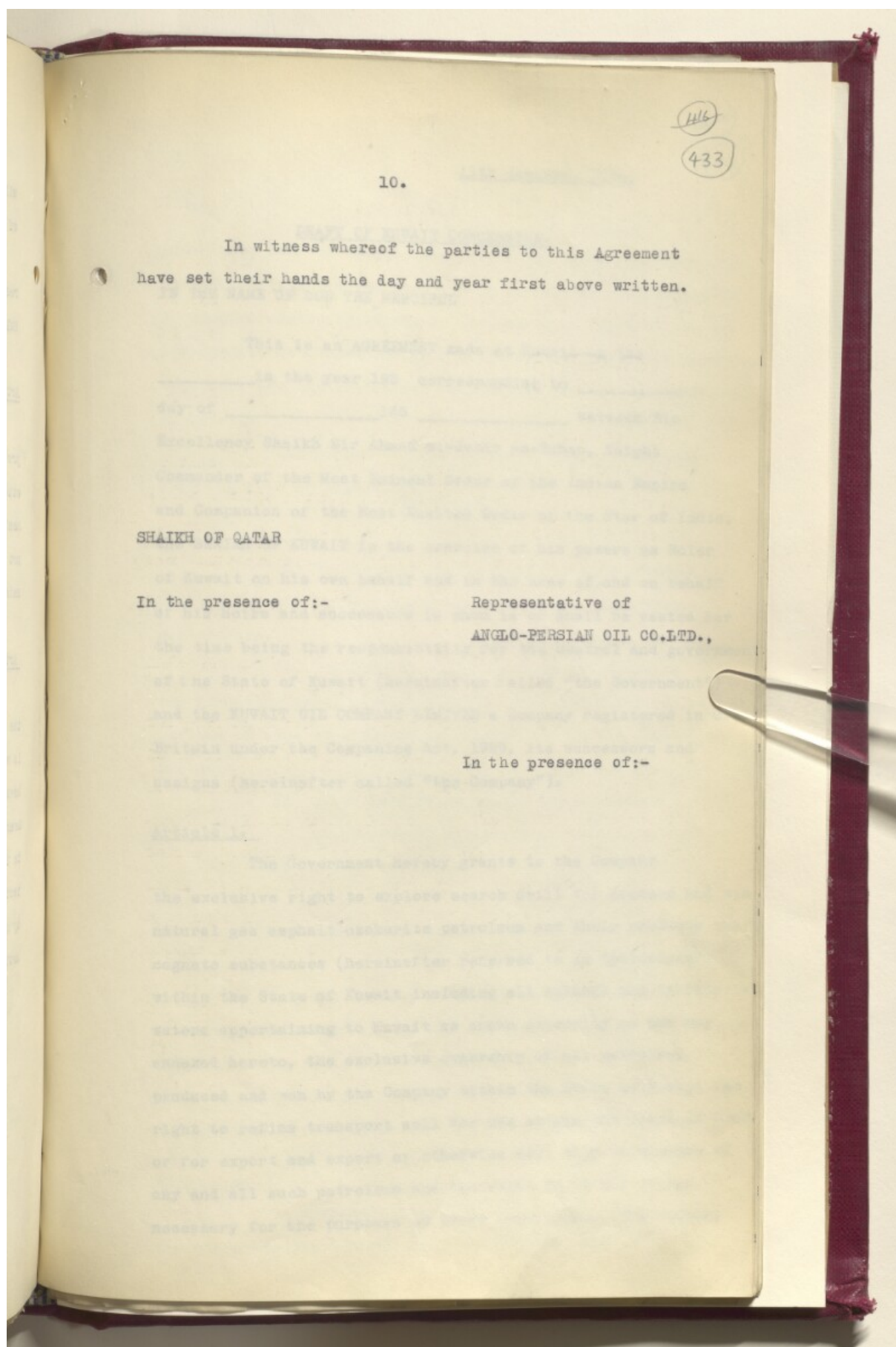
Article 19.

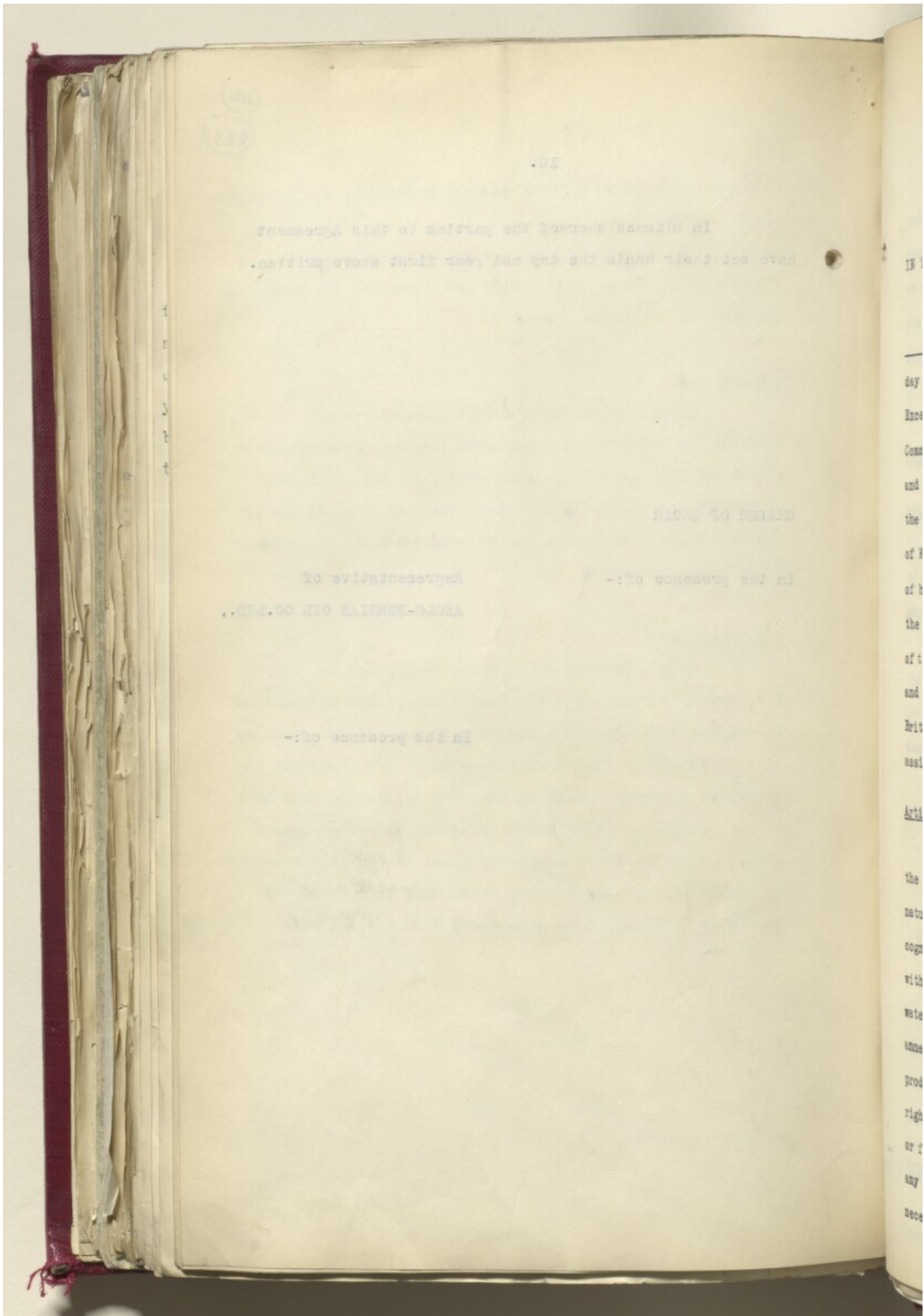
Nothing laid down in this Agreement shall prevent the Shaikh in any way from granting concessions to other parties for any article other than THE SUBSTANCES mentioned in Article 1, provided that such concessions do not interfere with the rights or operations of the Company under this Agreement.

Article 20.

This Agreement which shall be binding on the parties hereto and their lawful successors and assigns is written both in Arabic and English and all due care has been exercised to ensure that both texts are identical in meaning. If there should at any time be disagreement as to the meaning or interpretation of any clause in either text, the Shaikh and the Company agree to settle the matter by mutual discussion, failing which they will refer the matter to arbitration in accordance with Article 16.









11th January, 1934.

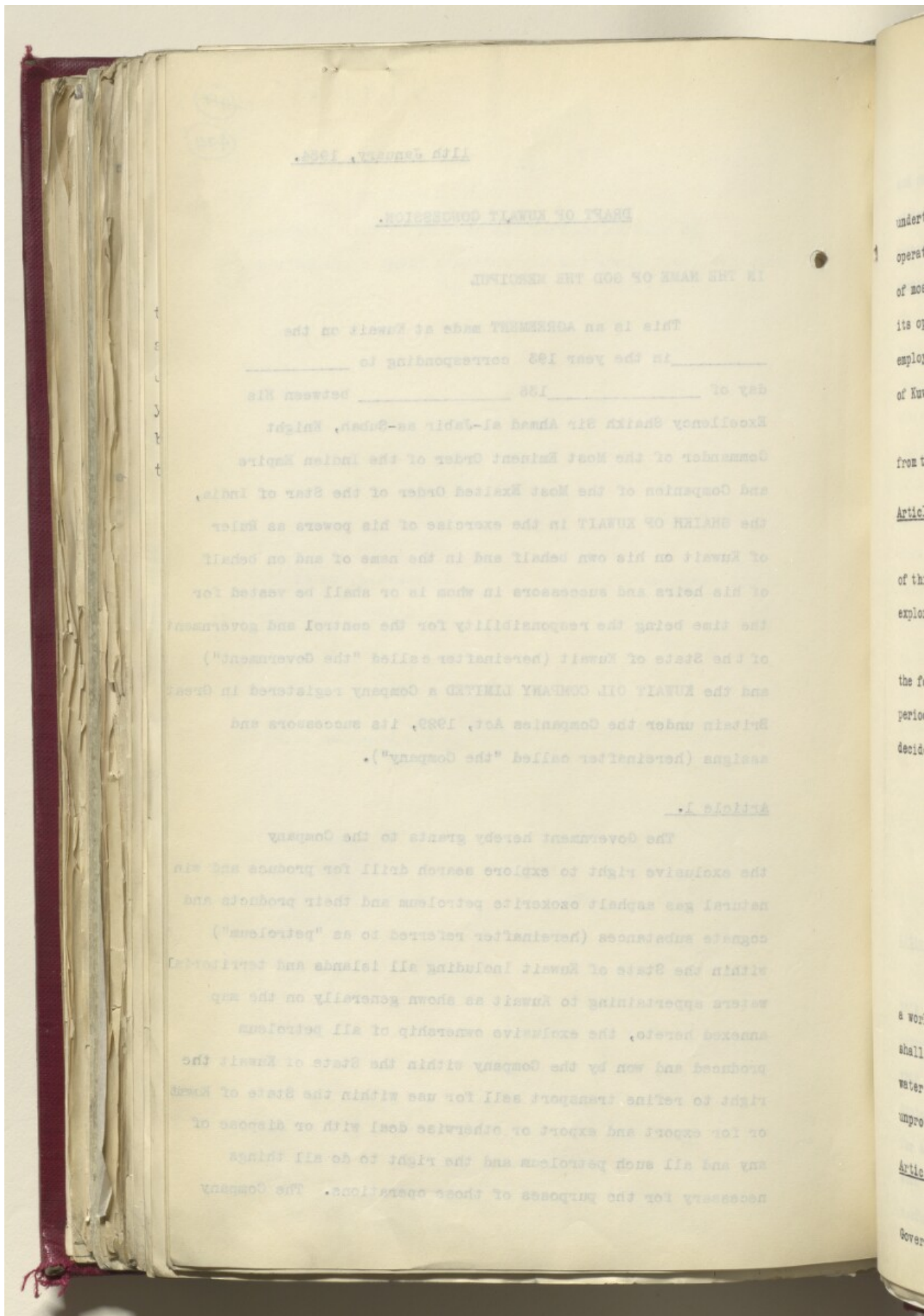
DRAFT OF KUWAIT CONCESSION.

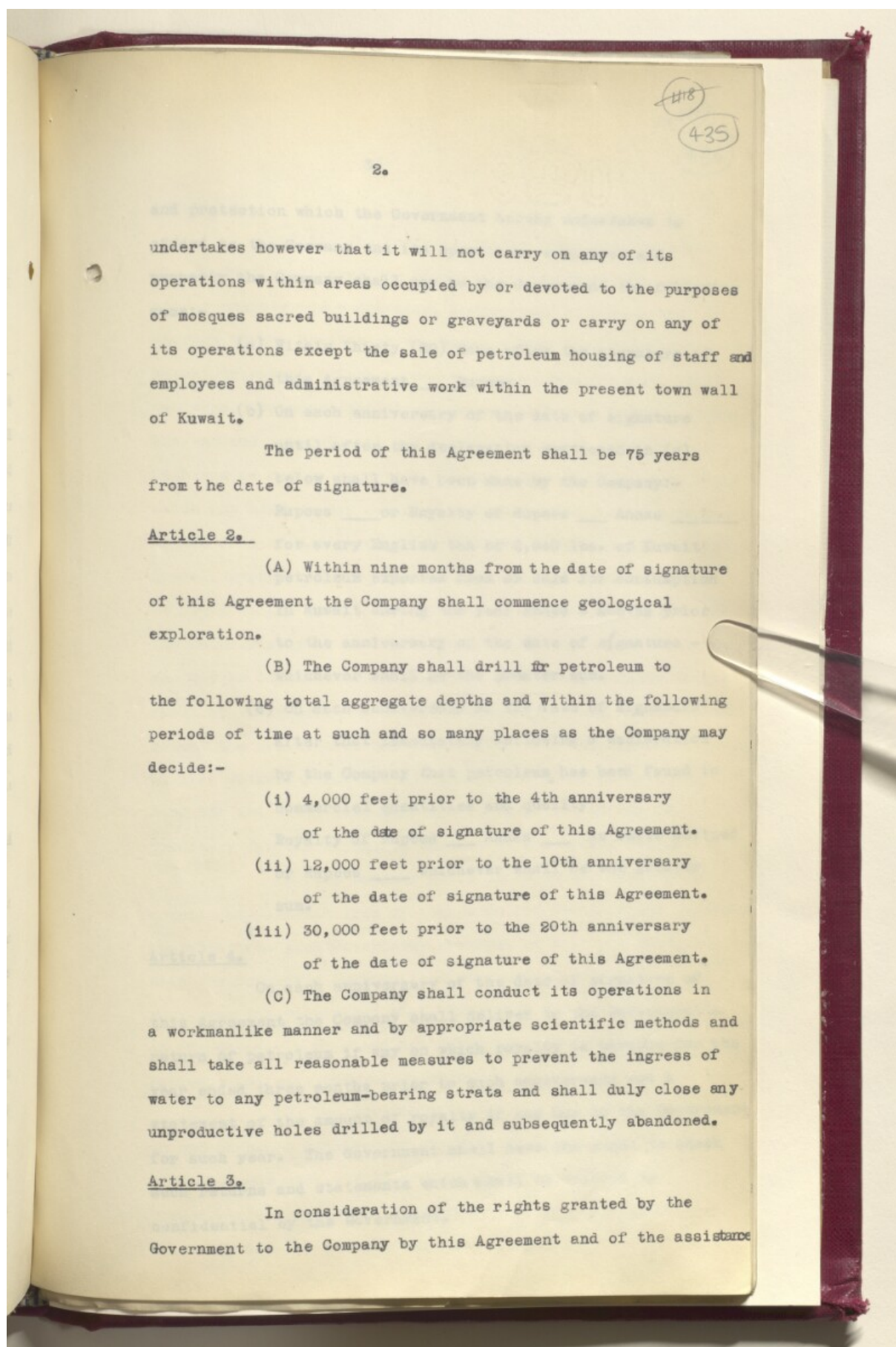
IN THE NAME OF GOD THE MERCIFUL

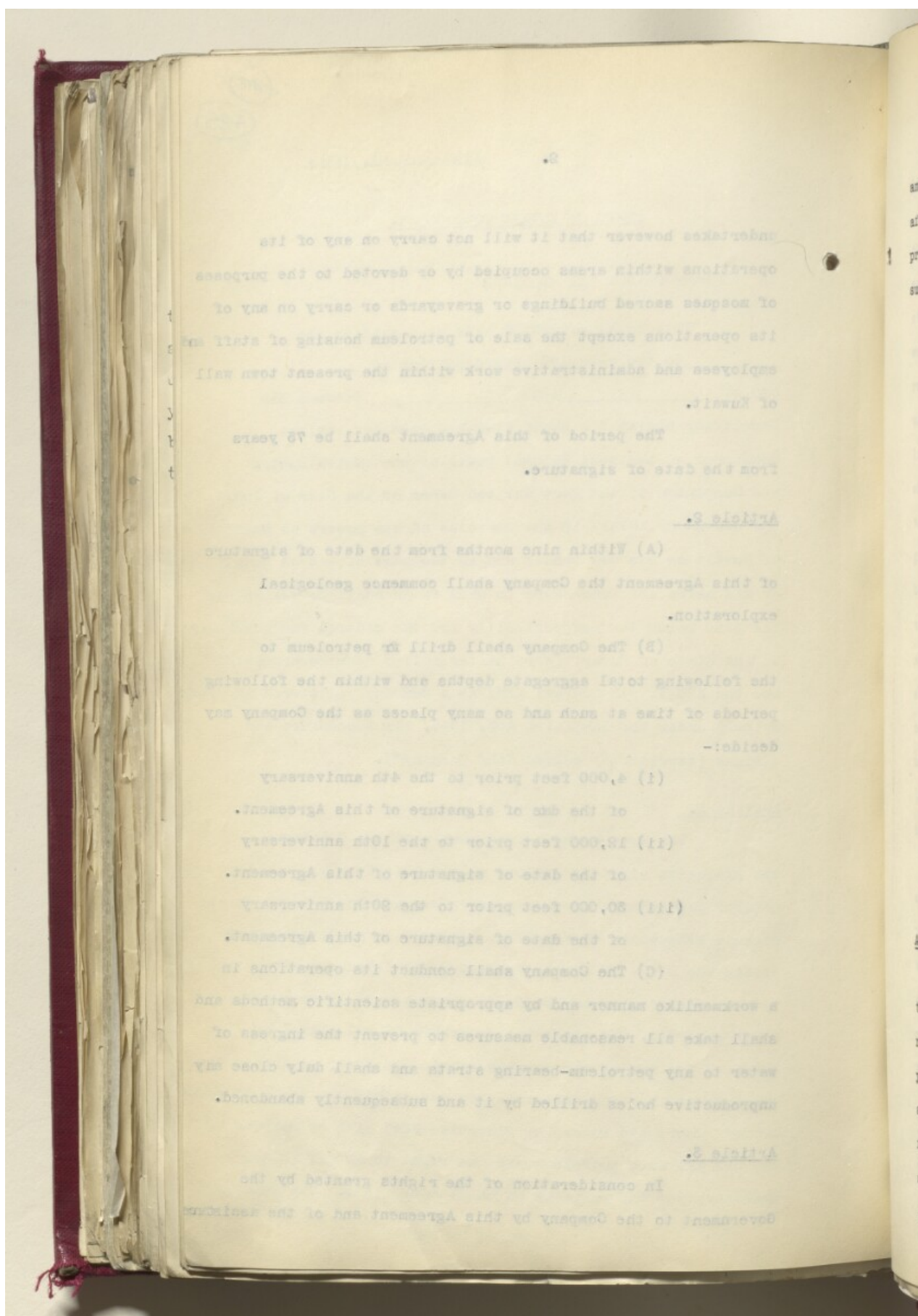
This is an AGREEMENT made at Kuwait on the _____ in the year 193 corresponding to _____ day of _____ 135 between His Excellency Shaikh Sir Ahmad al-Jabir as-Subah, Knight Commander of the Most Eminent Order of the Indian Empire and Companion of the Most Exalted Order of the Star of India, the SHAIKH OF KUWAIT in the exercise of his powers as Ruler of Kuwait on his own behalf and in the name of and on behalf of his heirs and successors in whom is or shall be vested for the time being the responsibility for the control and government of the State of Kuwait (hereinafter called "the Government") and the KUWAIT OIL COMPANY LIMITED a Company registered in Great Britain under the Companies Act, 1929, its successors and assigns (hereinafter called "the Company").

Article 1.

The Government hereby grants to the Company the exclusive right to explore search drill for produce and win natural gas asphalt ozokerite petroleum and their products and cognate substances (hereinafter referred to as "petroleum") within the State of Kuwait including all islands and territorial waters appertaining to Kuwait as shown generally on the map annexed hereto, the exclusive ownership of all petroleum produced and won by the Company within the State of Kuwait the right to refine transport sell for use within the State of Kuwait or for export and export or otherwise deal with or dispose of any and all such petroleum and the right to do all things necessary for the purposes of those operations. The Company









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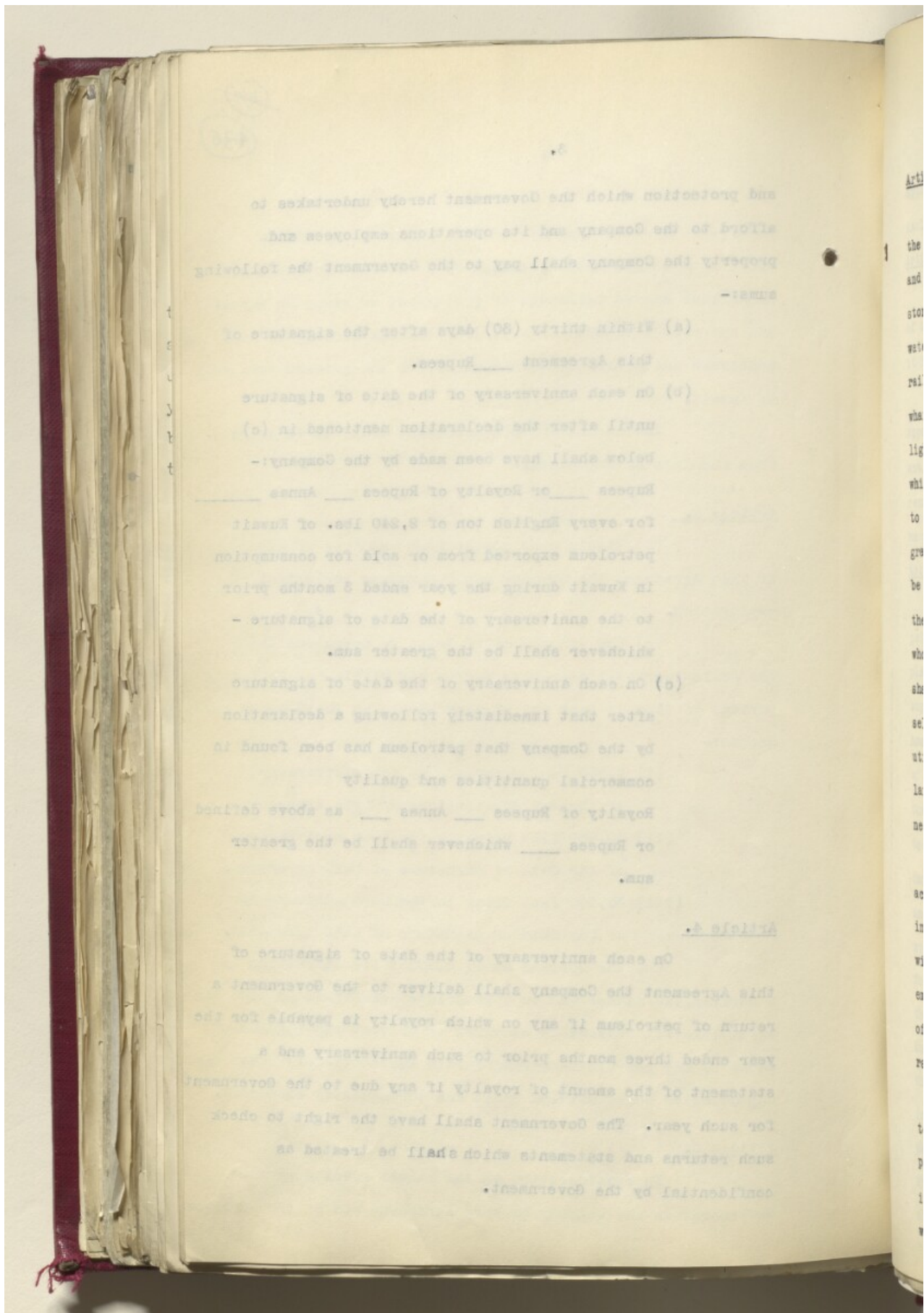
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and protection which the Government hereby undertakes to afford to the Company and its operations employees and property the Company shall pay to the Government the following sums:-

- (a) Within thirty (30) days after the signature of this Agreement _____ Rupees.
- (b) On each anniversary of the date of signature until after the declaration mentioned in (c) below shall have been made by the Company:-
Rupees _____ or Royalty of Rupees _____ Annas _____
for every English ton of 2,240 lbs. of Kuwait petroleum exported from or sold for consumption in Kuwait during the year ended 3 months prior to the anniversary of the date of signature -
whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after that immediately following a declaration by the Company that petroleum has been found in commercial quantities and quality
Royalty of Rupees _____ Annas _____ as above defined
or Rupees _____ whichever shall be the greater sum.

Article 4.

On each anniversary of the date of signature of this Agreement the Company shall deliver to the Government a return of petroleum if any on which royalty is payable for the year ended three months prior to such anniversary and a statement of the amount of royalty if any due to the Government for such year. The Government shall have the right to check such returns and statements which shall be treated as confidential by the Government.





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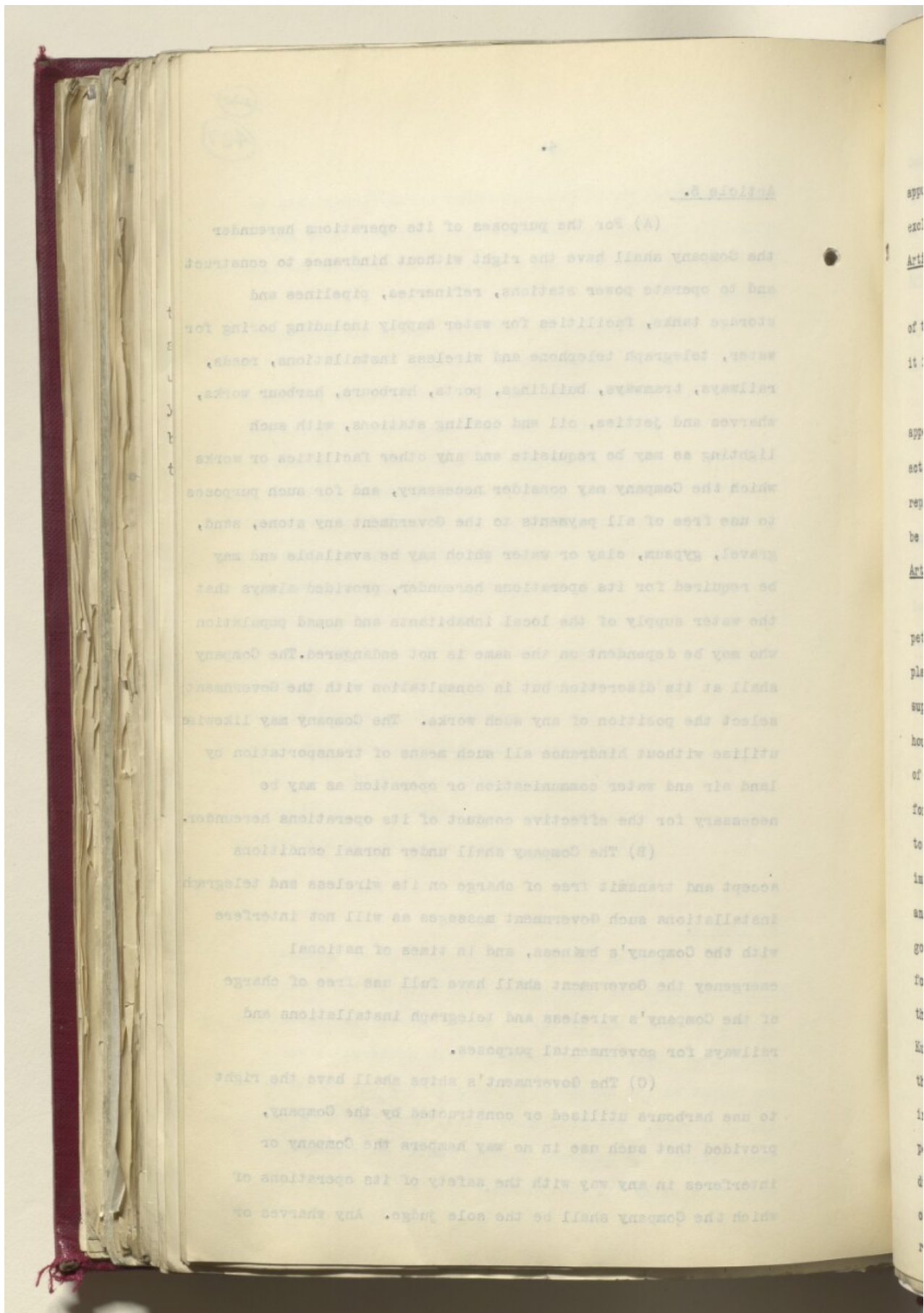
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Article 5.

(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary, and for such purposes to use free of all payments to the Government any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the water supply of the local inhabitants and nomad population who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Government select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such Government messages as will not interfere with the Company's business, and in times of national emergency the Government shall have full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes.

(C) The Government's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or





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appurtenances constructed by the Company shall be for its exclusive use.

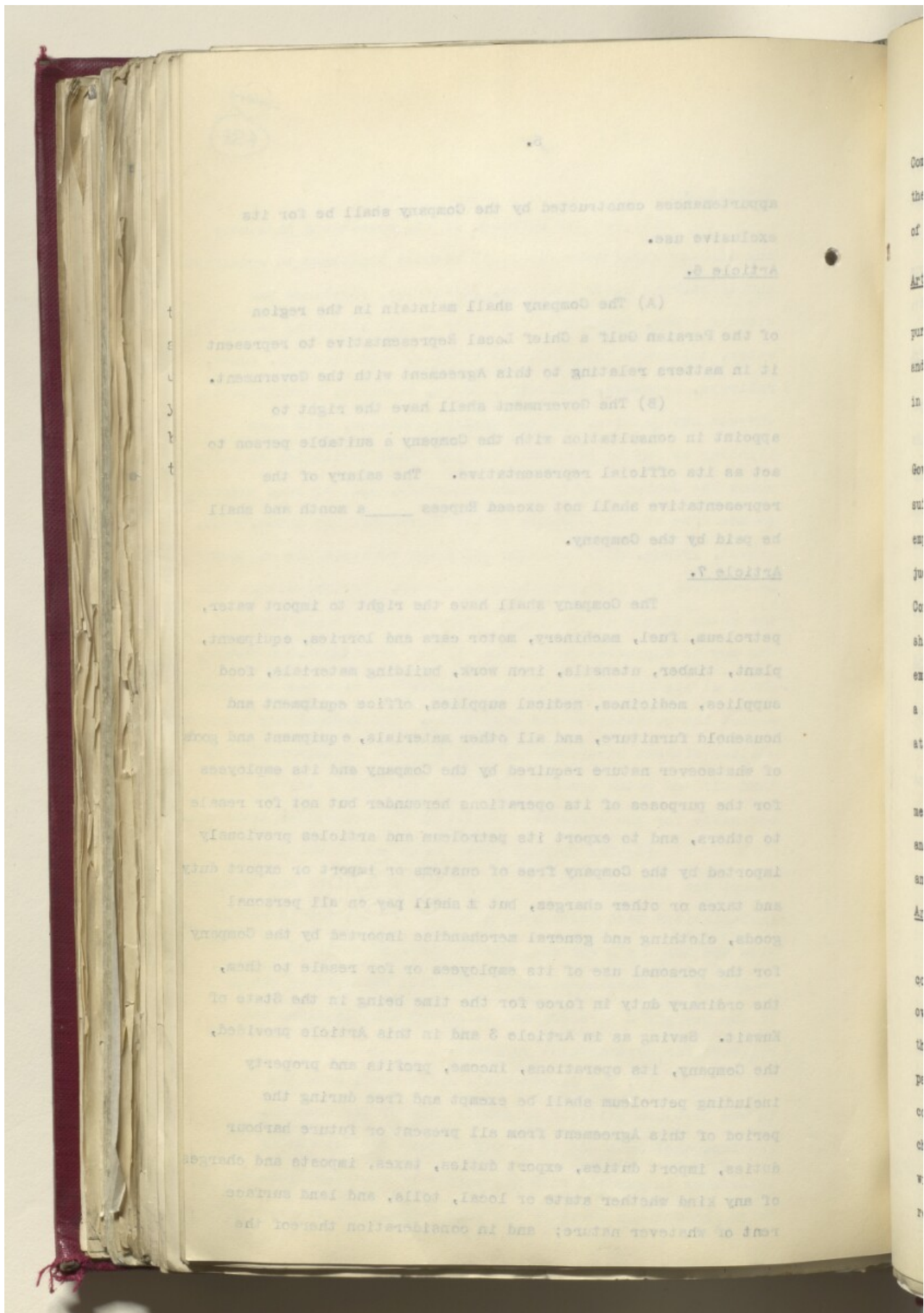
Article 6.

(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Government.

(B) The Government shall have the right to appoint in consultation with the Company a suitable person to act as its official representative. The salary of the representative shall not exceed Rupees _____ a month and shall be paid by the Company.

Article 7.

The Company shall have the right to import water, petroleum, fuel, machinery, motor cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the





6.

Company shall pay to the Government on each anniversary of the date of signature of this Agreement — annas per ton of petroleum on which royalty is payable.

Article 8.

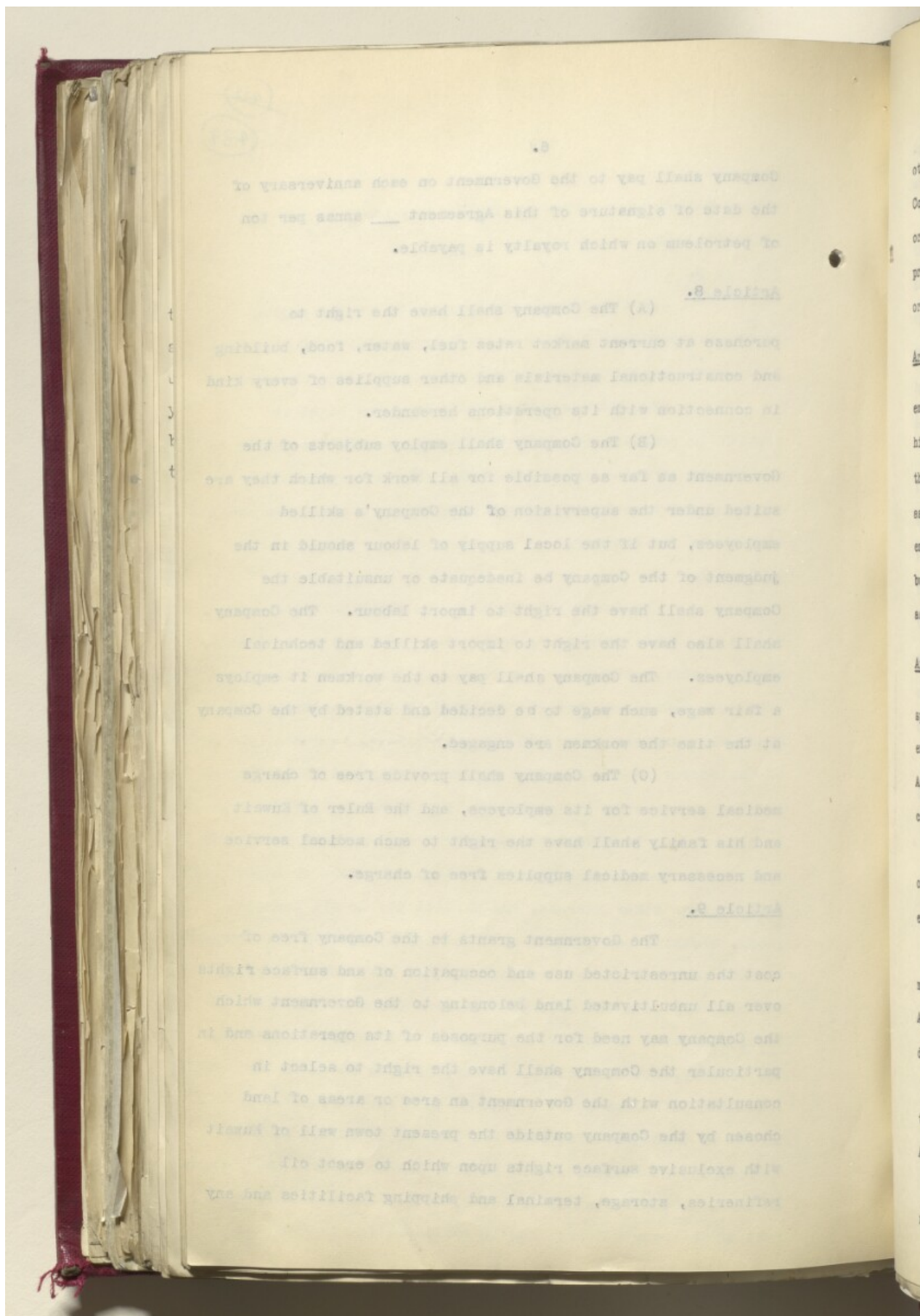
(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Government as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right to import labour. The Company shall also have the right to import skilled and technical employees. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Ruler of Kuwait and his family shall have the right to such medical service and necessary medical supplies free of charge.

Article 9.

The Government grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Government which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Government an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any





7.

other works required for the Company's operations; and the Company may buy or lease for such purposes any lands, houses or buildings on conditions to be arranged with the proprietors thereof but at rates not in excess of those ordinarily current in their respective localities.

Article 10.

The Government shall give to the Company and its employees and property all protection in its power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint and itself pay trustworthy guards to assist in protecting the property of the Company and its employees. The Company may erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.

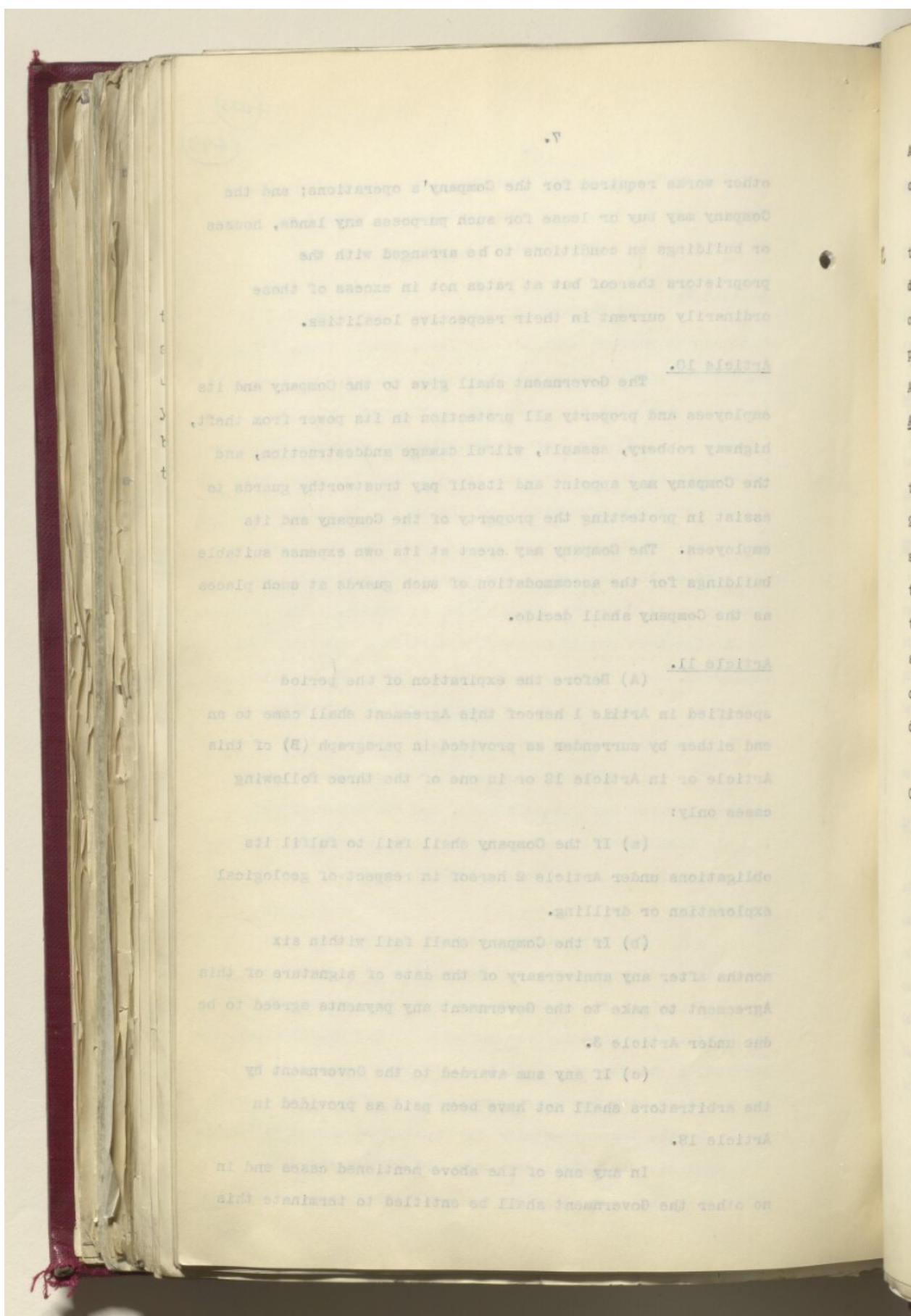
(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases only:

(a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or drilling.

(b) If the Company shall fail within six months after any anniversary of the date of signature of this Agreement to make to the Government any payments agreed to be due under Article 3.

(c) If any sum awarded to the Government by the arbitrators shall not have been paid as provided in Article 18.

In any one of the above mentioned cases and in no other the Government shall be entitled to terminate this





8.

Agreement and all the property of the Company within the State of Kuwait shall become the property of the Government.

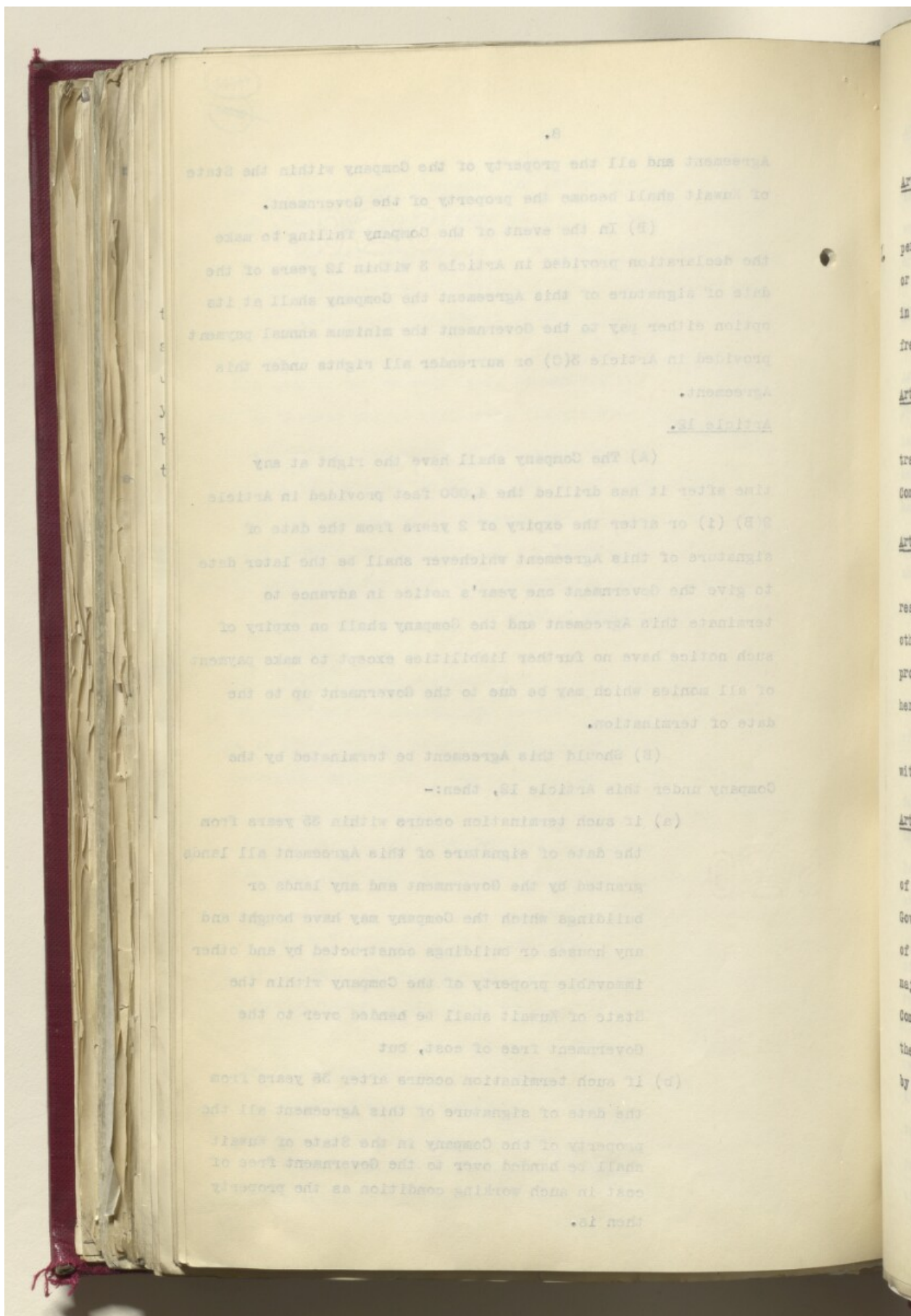
(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Government the minimum annual payment provided in Article 3(C) or surrender all rights under this Agreement.

Article 12.

(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2(B) (i) or after the expiry of 2 years from the date of signature of this Agreement whichever shall be the later date to give the Government one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Government up to the date of termination.

(B) Should this Agreement be terminated by the Company under this Article 12, then:-

- (a) if such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Government and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Government free of cost, but
- (b) if such termination occurs after 35 years from the date of signature of this Agreement all the property of the Company in the State of Kuwait shall be handed over to the Government free of cost in such working condition as the property then is.





9,

425
442

Article 13.

On the expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the property of the Company in the State of Kuwait shall be handed over to the Government free of cost in such working condition as the property then is.

Article 14.

The Government hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered within the British Empire.

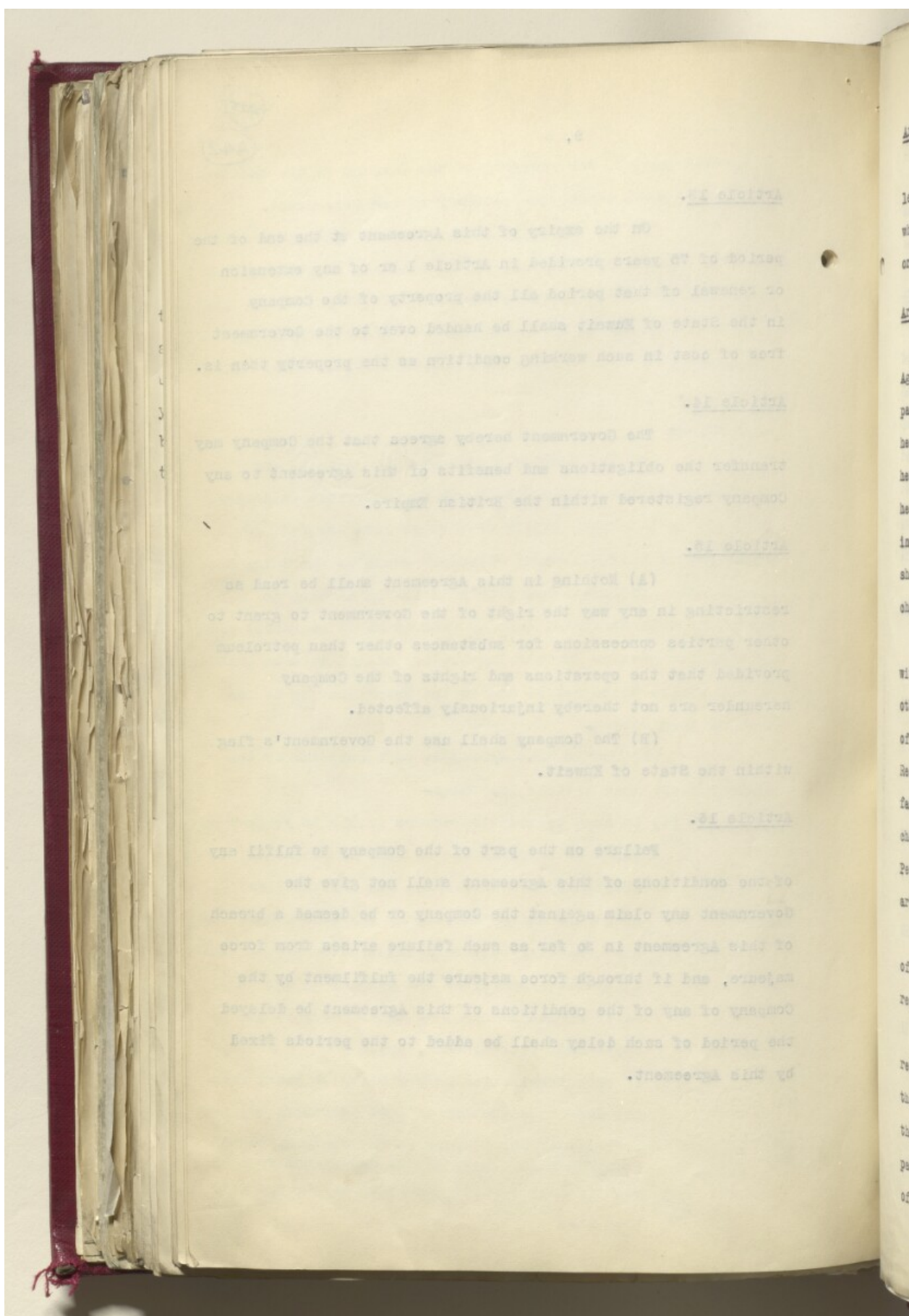
Article 15.

(A) Nothing in this Agreement shall be read as restricting in any way the right of the Government to grant to other parties concessions for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

(B) The Company shall use the Government's flag within the State of Kuwait.

Article 16.

Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Government any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.





10.

Article 17.

The Government shall not by general or special legislation or by administrative measures or by any other Act whatever annul this Agreement, except as provided in Article 11, or alter the terms of this Agreement.

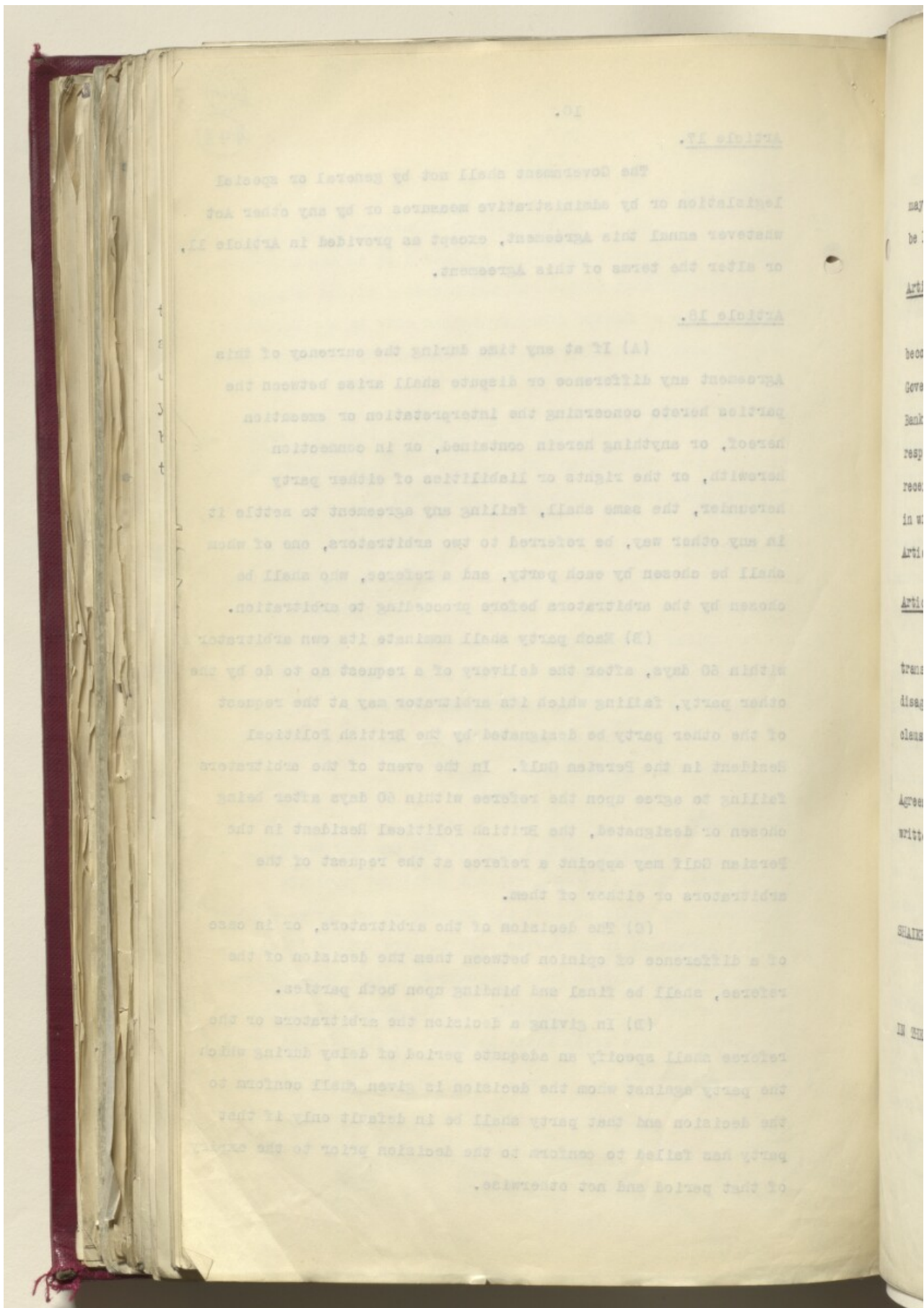
Article 18.

(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained, or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days, after the delivery of a request so to do by the other party, failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.





11.

(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19.

The Company shall make all payments that become due to the Government under this Agreement into the Government's account at the _____ Bank in _____ and the Bank's receipt shall be a full discharge for the Company in respect to the payment of the sum stated in the Bank's receipt. The Government may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20.

This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

In witness whereof the parties to this Agreement have set their hands the day and year first above written.

SHAIKH OF KUWAIT

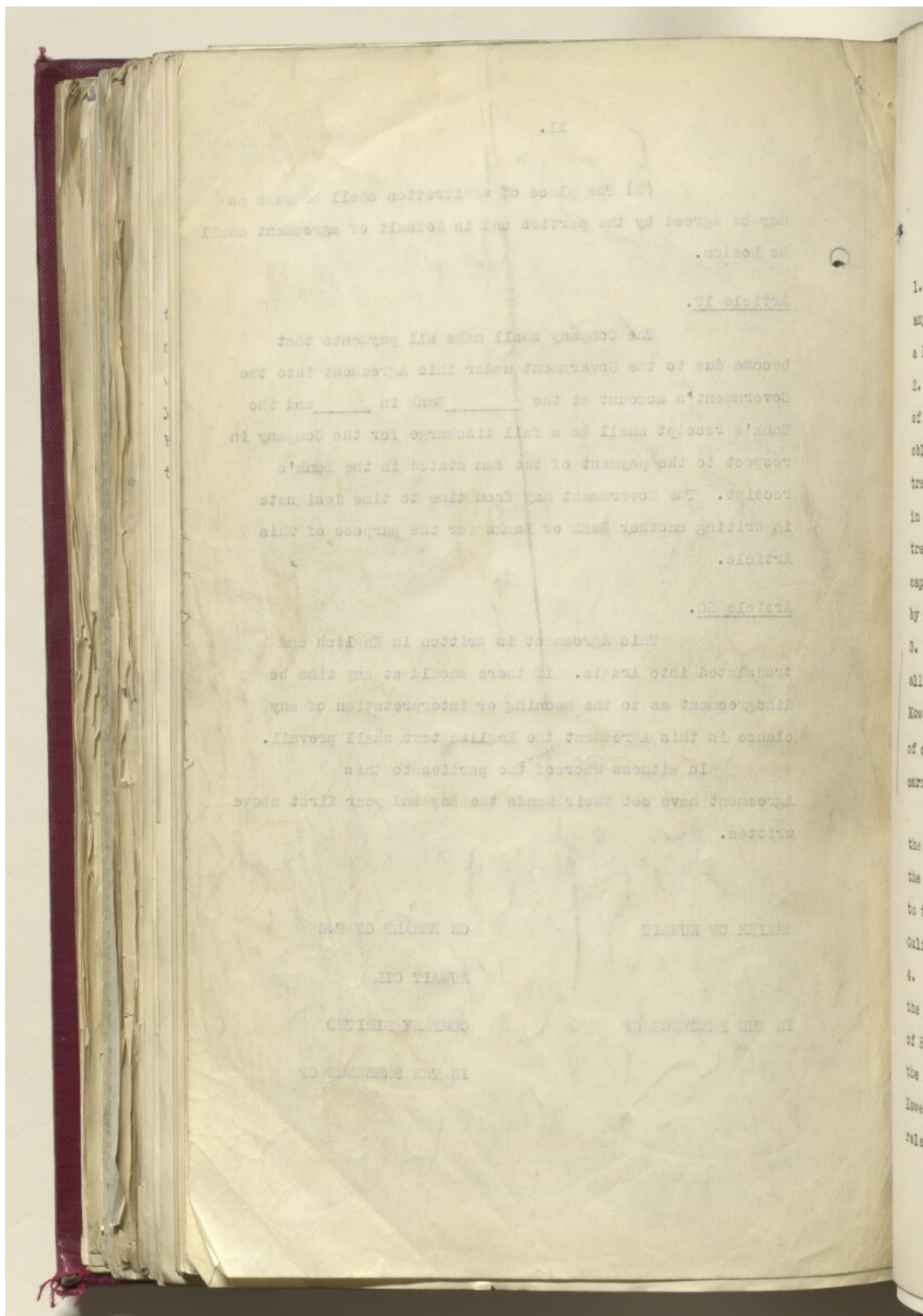
ON BEHALF OF THE

KUWAIT OIL

IN THE PRESENCE OF

COMPANY LIMITED

IN THE PRESENCE OF





6m (128)
(445)

Suggested points to be included in agreement between
His Majesty's Government and the Koweit Oil
Company Ltd.,

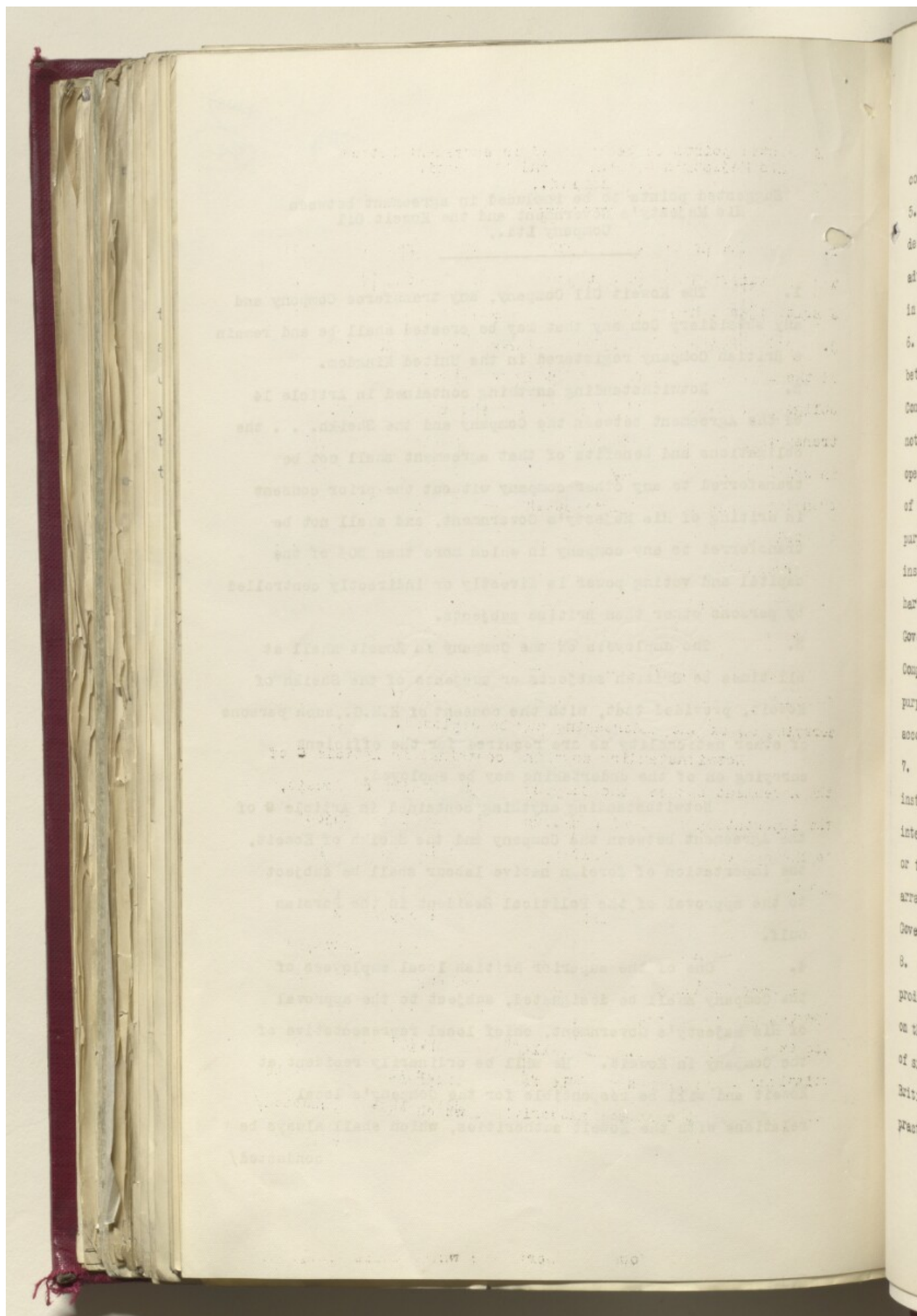
1. The Koweit Oil Company, any transferee Company and any subsidiary Company that may be created shall be and remain a British Company registered in the United Kingdom.

2. Notwithstanding anything contained in Article 14 of the Agreement between the Company and the Sheikh. . . the obligations and benefits of that agreement shall not be transferred to any other company without the prior consent in writing of His Majesty's Government, and shall not be transferred to any company in which more than 50% of the capital and voting power is directly or indirectly controlled by persons other than British subjects.

3. The employees of the Company in Koweit shall at all times be British subjects or subjects of the Sheikh of Koweit, provided that, with the consent of H.M.G., such persons of other nationality as are required for the efficient carrying on of the undertaking may be employed.

Notwithstanding anything contained in Article 8 of the Agreement between the Company and the Sheikh of Koweit, the importation of foreign native labour shall be subject to the approval of the Political Resident in the Persian Gulf.

4. One of the superior British local employees of the Company shall be designated, subject to the approval of His Majesty's Government, chief local representative of the Company in Koweit. He will be ordinarily resident at Koweit and will be responsible for the Company's local relations with the Koweit authorities, which shall always be conducted/





conducted through the Political Agent at Koweit.

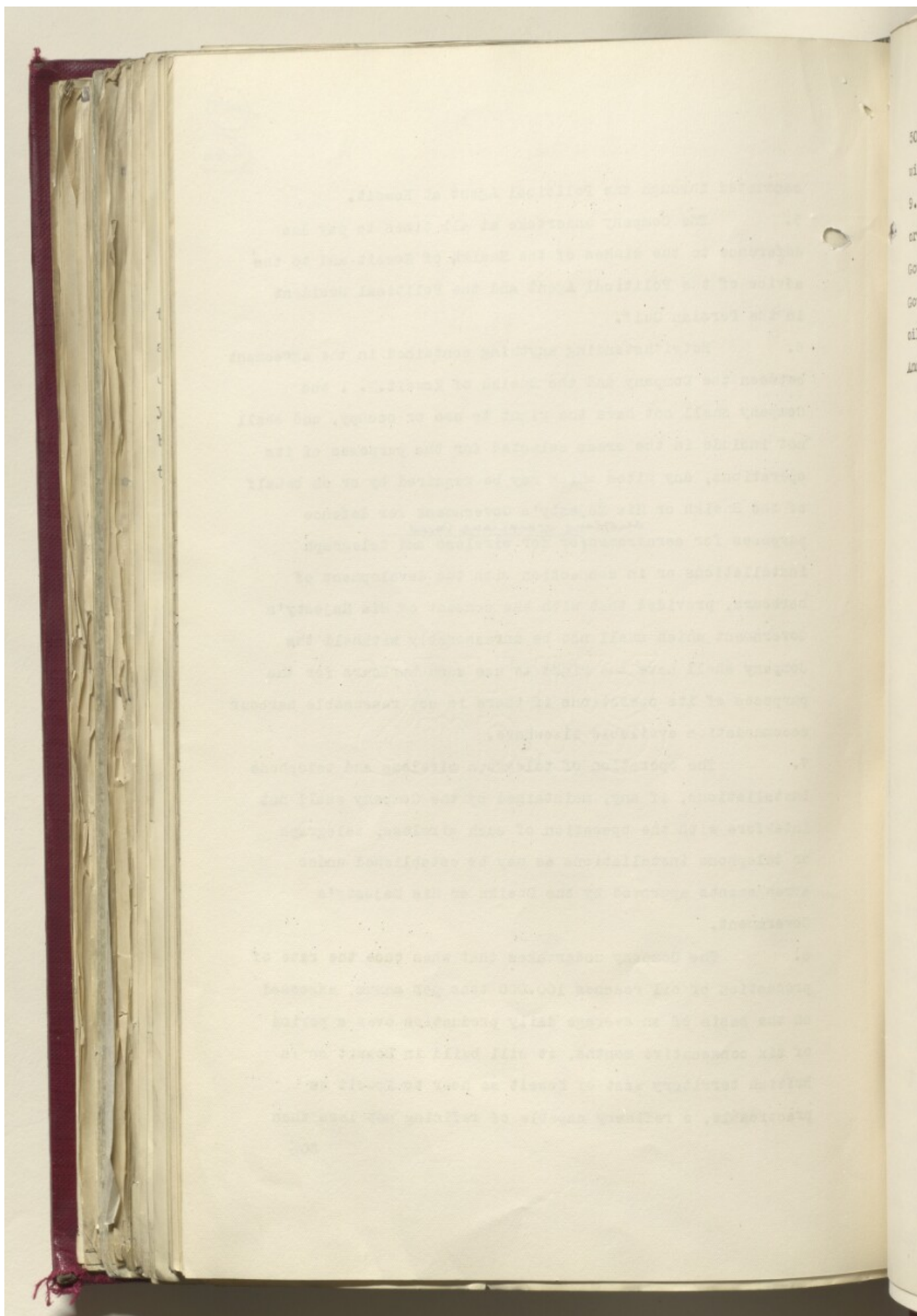
5. The Company undertake at all times to pay due deference to the wishes of the Sheikh of Koweit and to the advice of the Political Agent and the Political Resident in the Persian Gulf.

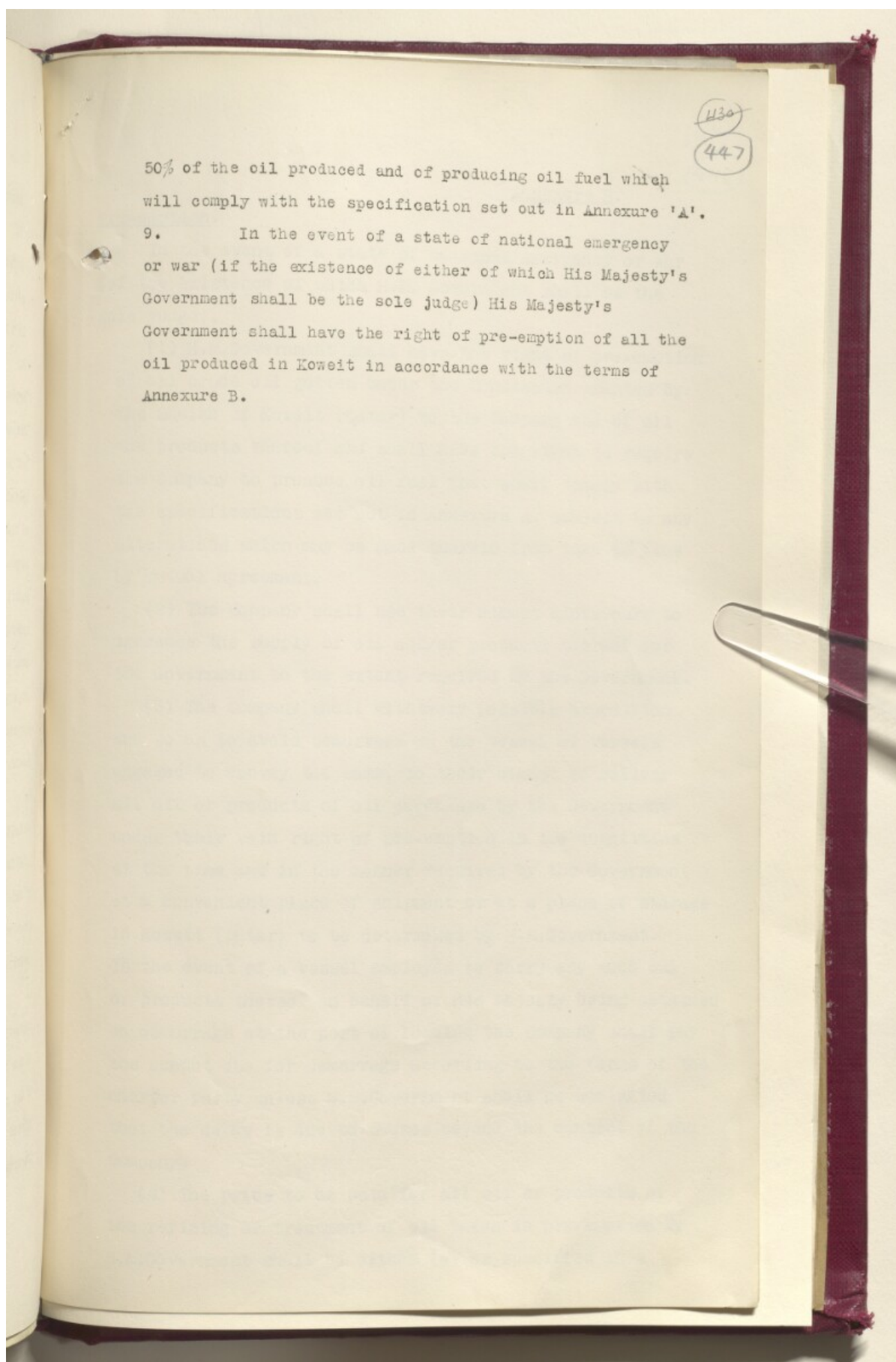
6. Notwithstanding anything contained in the agreement between the Company and the Sheikh of Koweit. . . the Company shall not have the right to use or occupy, and shall not include in the areas selected for the purposes of its operations, any sites which may be required by or on behalf of the Sheikh or His Majesty's Government for defence ^{airplane or aeroplane bases} purposes for aerodromes (or for wireless and telegraph installations or in connection with the development of harbours, provided that with the consent of His Majesty's Government which shall not be unreasonably withheld the Company shall have the right to use such harbours for the purposes of its operations if there is not reasonable harbour accommodation available elsewhere.

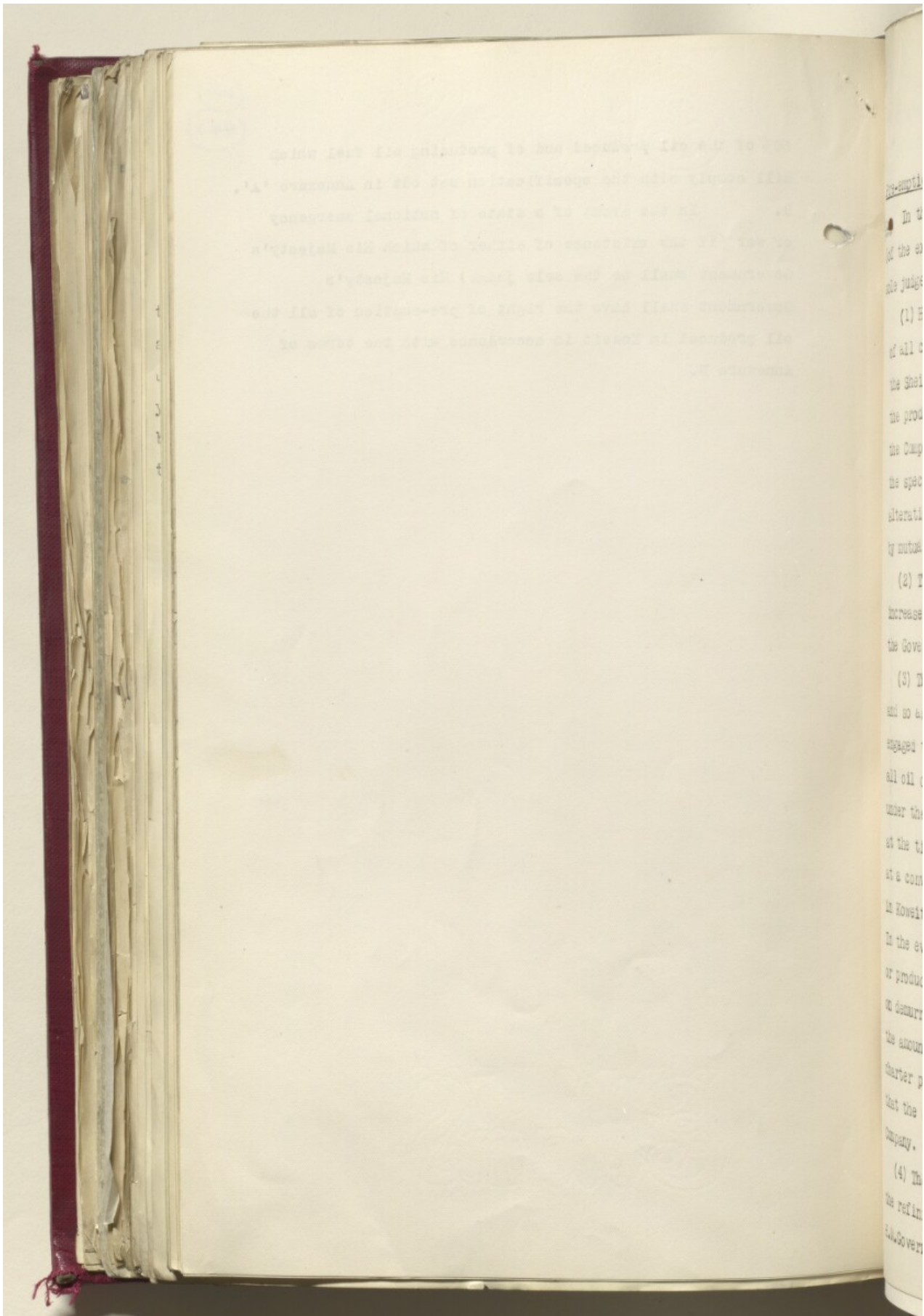
7. The operation of telegraph wireless and telephone installations, if any, maintained by the Company shall not interfere with the operation of such wireless, telegraph or telephone installations as may be established under arrangements approved by the Sheikh or His Majesty's Government.

8. The Company undertakes that when once the rate of production of oil reaches 100,000 tons per annum, assessed on the basis of an average daily production over a period of six consecutive months, it will build in Koweit or in British territory east of Koweit as near to Koweit as practicable, a refinery capable of refining not less than

50%









(431)
(448)

Annexure B.

Pre-emption.

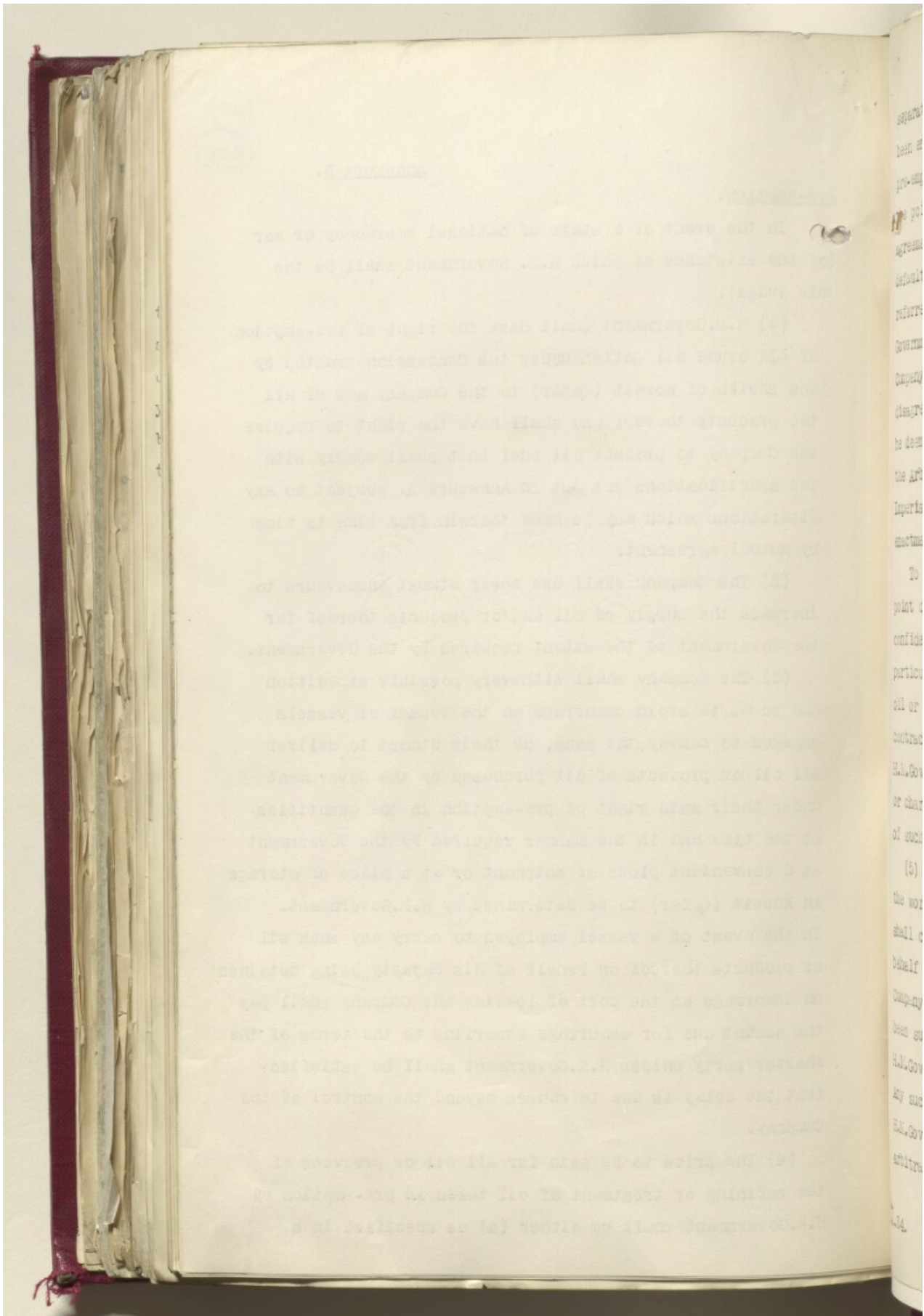
In the event of a state of national emergency or war (of the existence of which H.M. Government shall be the sole judge),

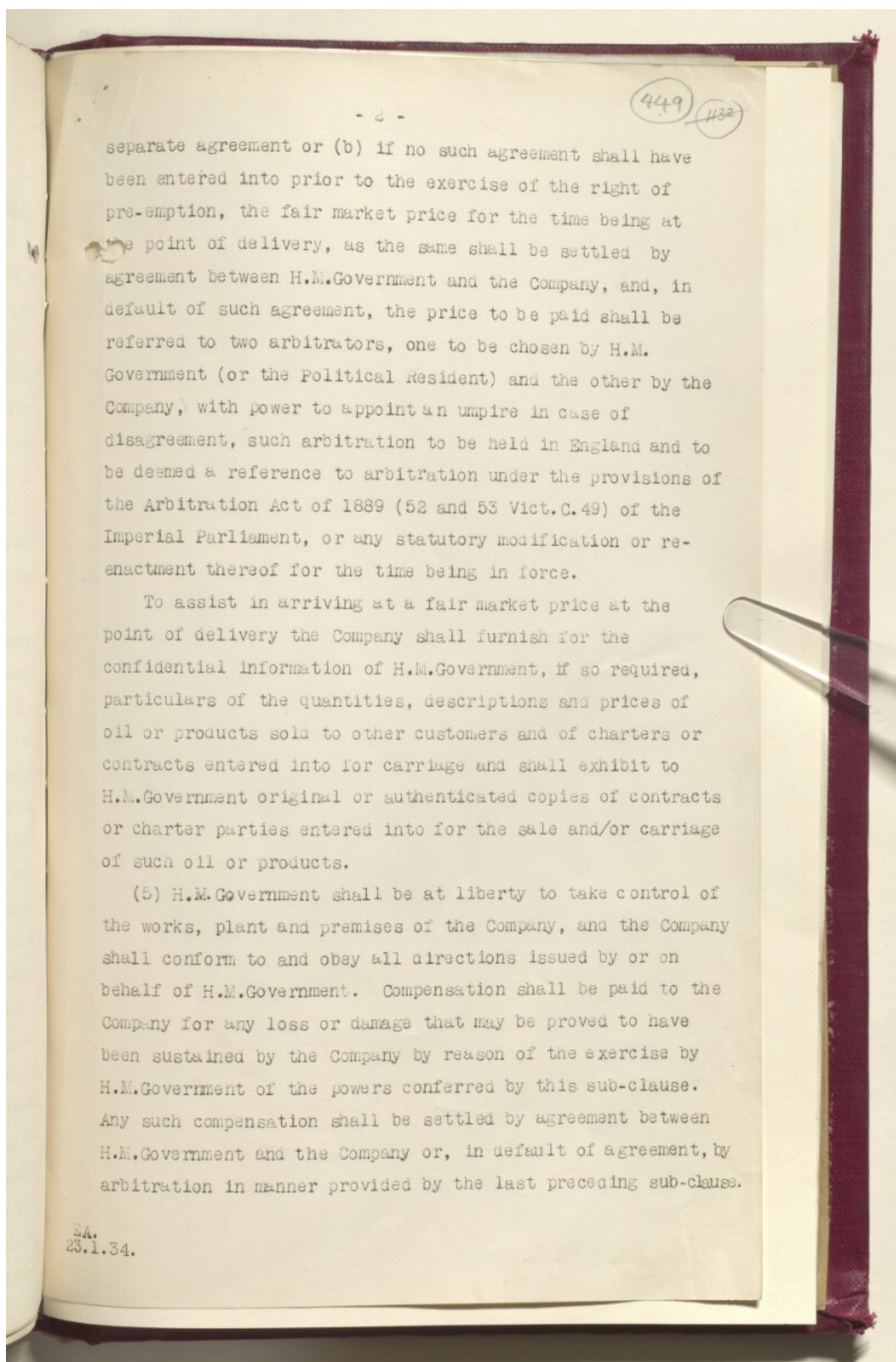
(1) H.M. Government shall have the right of pre-emption of all crude oil gotten under the Concession granted by the Sheikh of Koweit (Qatar) to the Company and of all the products thereof and shall have the right to require the Company to produce oil fuel that shall comply with the specifications set out in Annexure A. subject to any alterations which may be made therein from time to time by mutual agreement.

(2) The Company shall use their utmost endeavours to increase the supply of oil and/or products thereof for the Government to the extent required by the Government.

(3) The Company shall with every possible expedition and so as to avoid demurrage on the vessel or vessels engaged to convey the same, do their utmost to deliver all oil or products of oil purchased by the Government under their said right of pre-emption in the quantities at the time and in the manner required by the Government at a convenient place of shipment or at a place of storage in Koweit (Qatar) to be determined by H.M. Government. In the event of a vessel employed to carry any such oil or products thereof on behalf of His Majesty being detained on demurrage at the port of loading the Company shall pay the amount due for demurrage according to the terms of the charter party unless H.M. Government shall be satisfied that the delay is due to causes beyond the control of the Company.

(4) The price to be paid for all oil or products of the refining or treatment of oil taken in pre-emption by H.M. Government shall be either (a) as specified in a





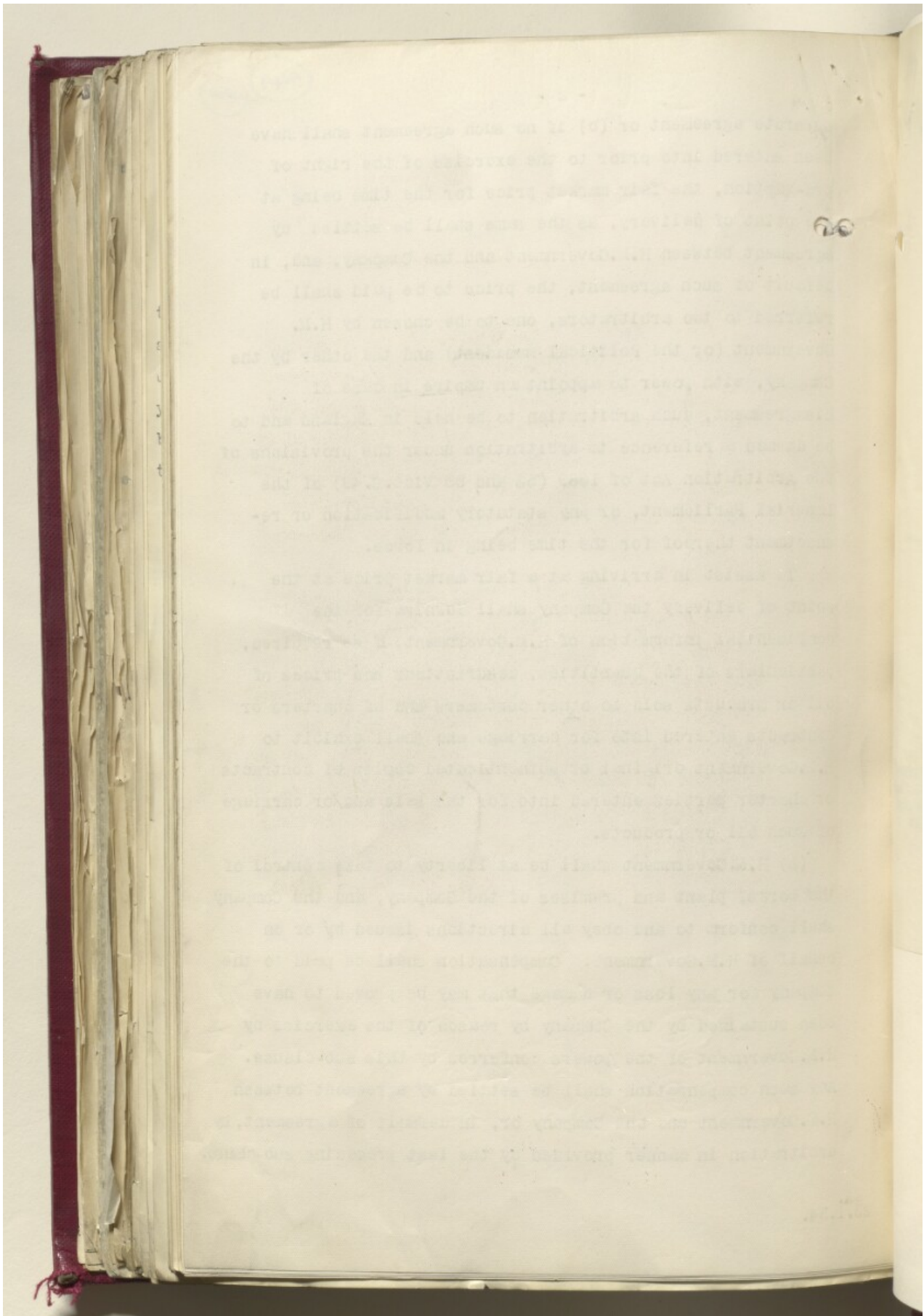
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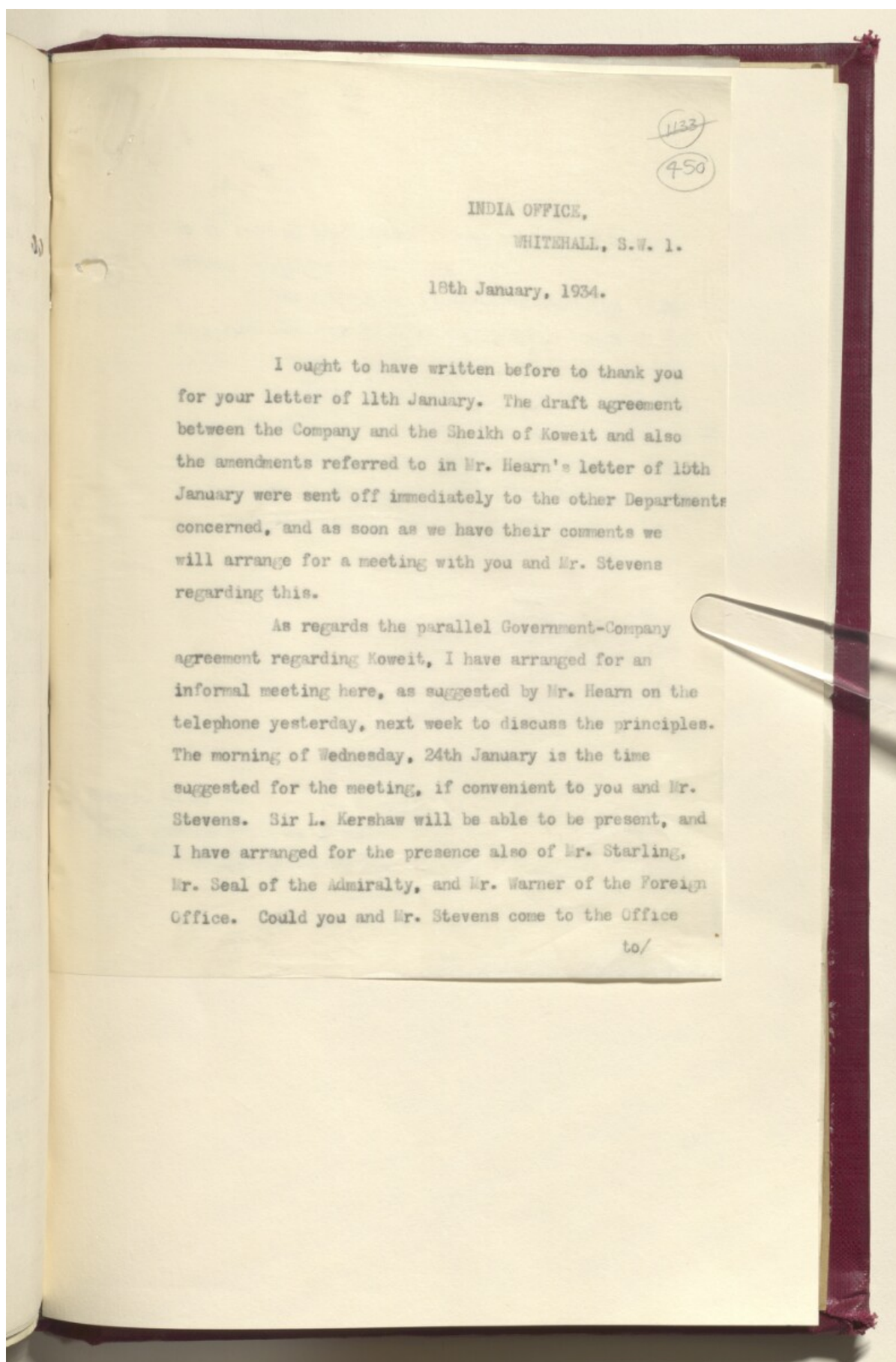
separate agreement or (b) if no such agreement shall have been entered into prior to the exercise of the right of pre-emption, the fair market price for the time being at the point of delivery, as the same shall be settled by agreement between H.M.Government and the Company, and, in default of such agreement, the price to be paid shall be referred to two arbitrators, one to be chosen by H.M. Government (or the Political Resident) and the other by the Company, with power to appoint an umpire in case of disagreement, such arbitration to be held in England and to be deemed a reference to arbitration under the provisions of the Arbitration Act of 1889 (52 and 53 Vict.C.49) of the Imperial Parliament, or any statutory modification or re-enactment thereof for the time being in force.

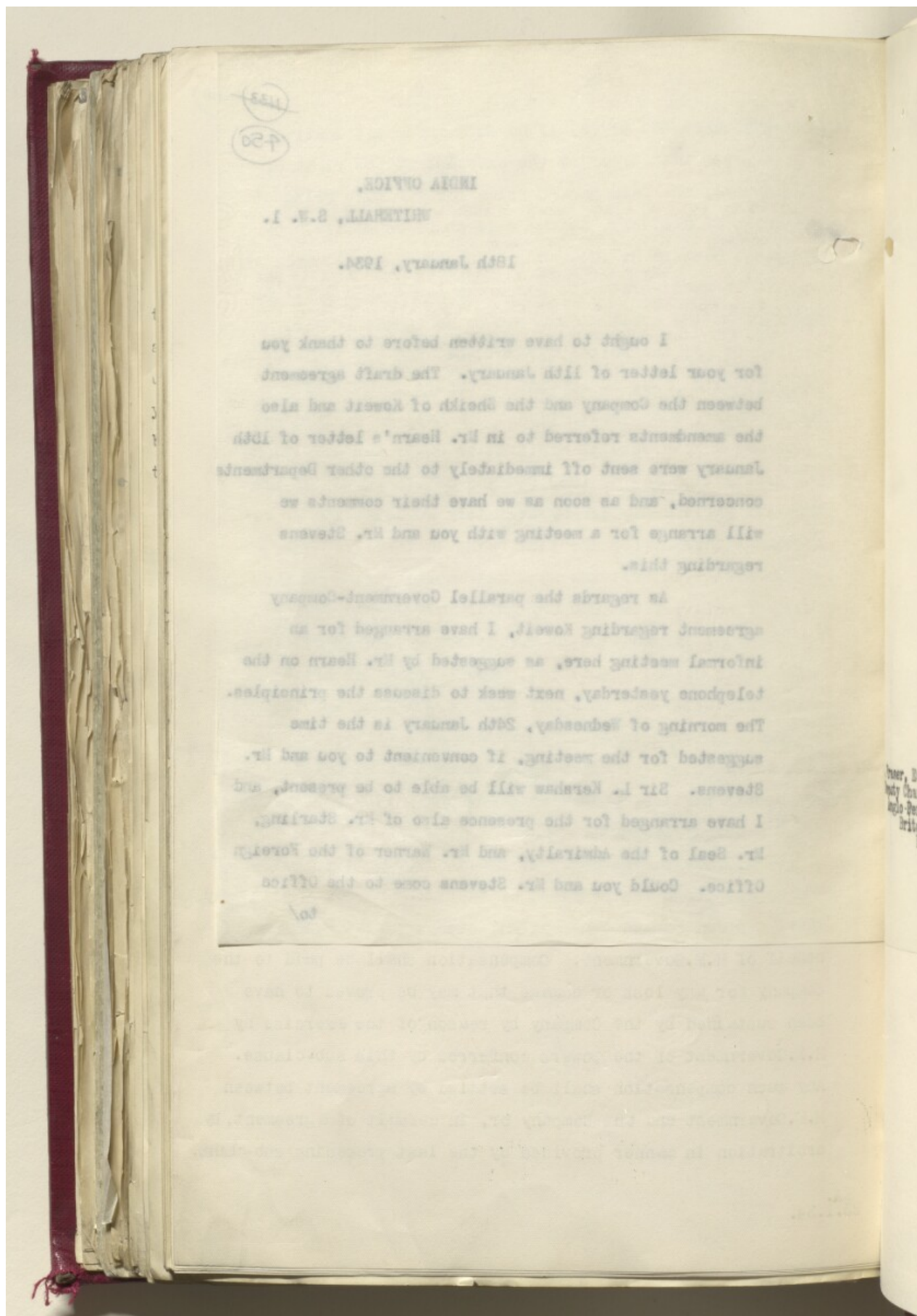
To assist in arriving at a fair market price at the point of delivery the Company shall furnish for the confidential information of H.M.Government, if so required, particulars of the quantities, descriptions and prices of oil or products sold to other customers and of charters or contracts entered into for carriage and shall exhibit to H.M.Government original or authenticated copies of contracts or charter parties entered into for the sale and/or carriage of such oil or products.

(5) H.M.Government shall be at liberty to take control of the works, plant and premises of the Company, and the Company shall conform to and obey all directions issued by or on behalf of H.M.Government. Compensation shall be paid to the Company for any loss or damage that may be proved to have been sustained by the Company by reason of the exercise by H.M.Government of the powers conferred by this sub-clause. Any such compensation shall be settled by agreement between H.M.Government and the Company or, in default of agreement, by arbitration in manner provided by the last preceding sub-clause.

24.
23.1.34.









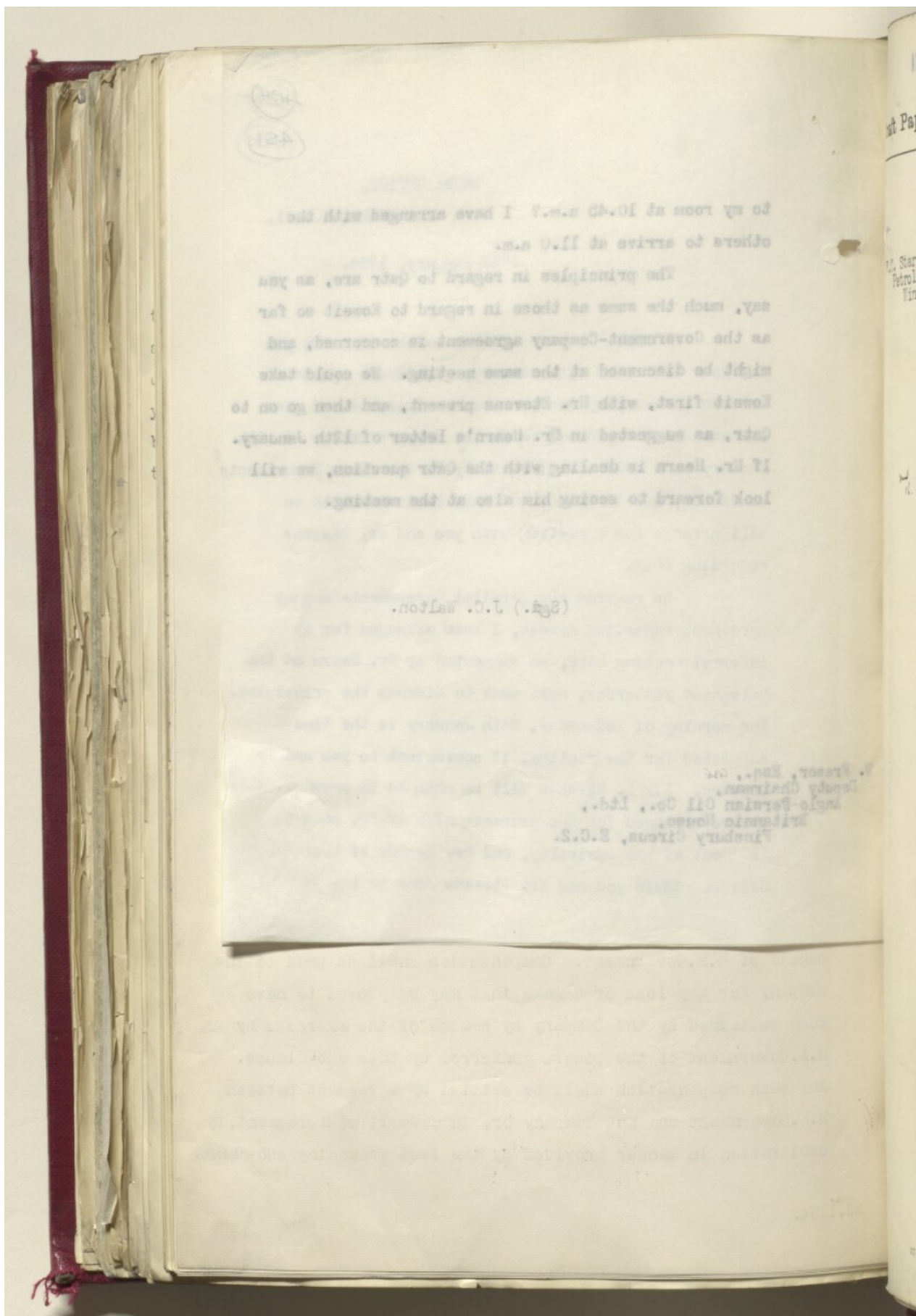
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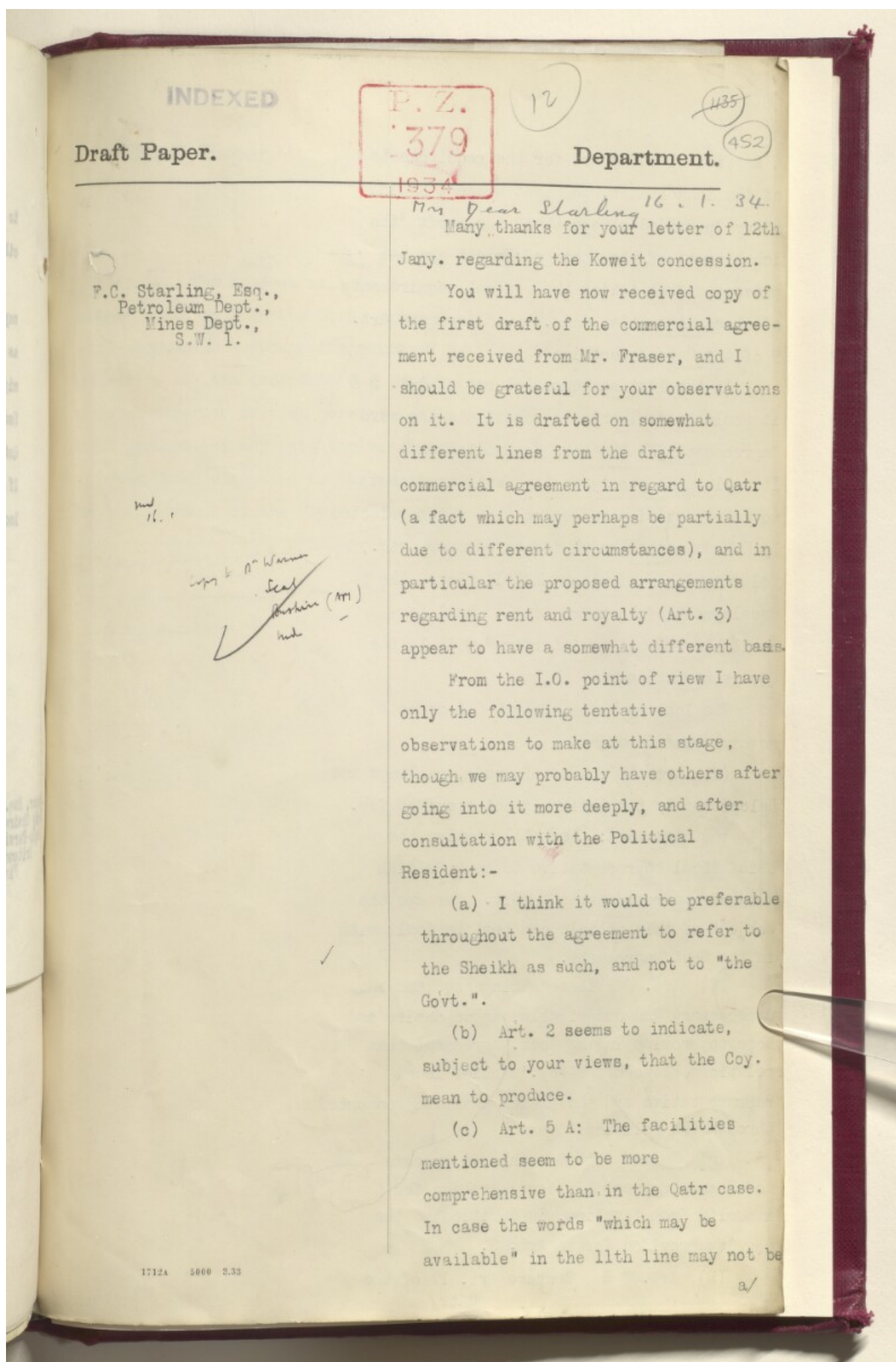
to my room at 10.45 a.m.? I have arranged with the others to arrive at 11.0 a.m.

The principles in regard to Qatr are, as you say, much the same as those in regard to Koweit so far as the Government-Company agreement is concerned, and might be discussed at the same meeting. We could take Koweit first, with Mr. Stevens present, and then go on to Qatr, as suggested in Mr. Hearn's letter of 12th January. If Mr. Hearn is dealing with the Qatr question, we will look forward to seeing him also at the meeting.

(Sgd.) J.C. Walton.

W. Fraser, Esq., *etc*
Deputy Chairman,
Anglo-Persian Oil Co., Ltd.,
Britannic House,
Finsbury Circus, E.C.2.







a sufficient safeguard for the requirements of the inhabitants, we might suggest adding after "provided always that" the words "the inhabitants of the State of Koweit are not prevented from taking their usual requirements of these materials, and . . . " (compare Art. 9 of the Qatr concession).

In the last sentence but one of Art. 5 A it would be desirable to substitute the word "agreement" for the word "consultation". It will be necessary in the Govt. agreement to make provision to secure that sites selected by H.M.G. or the Sheikh for aerodromes, etc., telegraphic or wireless installations, the development of harbours, etc., shall be available and not be interfered with by the Coy.'s operations.

The last sentence of Art. 5 A seems to require consideration.

(d) Art. 5 B: Use of roads, railways and telephones by the Sheikh is not provided for.

(e) Art. 6 A: We shall require the chief local representative to be a British subject and resident at Koweit. Perhaps the subject of this article can best be dealt with in the Govt. agreement.

(f) Art. 6 B is something new, and seems unnecessary and undesirable, as we desire and hope to provide in the Govt. agreement that relations between the Coy.'s chief local representative and the Sheikh shall be conducted through the Political Agent.

(g) End of Art. 7: This, I presume means some payment, in consideration for immunity from taxation, in addition to the royalty provided for in Art. 2.

(h) Art. 8 B: Compare Art. 17 of the Qatr/



Draft Paper.

Department.

Qatr draft. This ^{matter} ^{have to} subject will be further dealt with in the Govt. agreement. Meanwhile - though the point at issue here is less important than that of local superior British personnel - we might perhaps, at any rate for bargaining purposes, take exception to the words "in the judgment of the Coy."

*in view of the possibility of local trouble arising from the introduction of foreign labour.
it may be necessary to provide that the British Agent shall have the last word.*

perhaps also to the words in the 5th line of Art. 5 C, "of which the Co. shall be sole judge?"

(i) Art. 12 B: The same points arise as are in issue in regard to Art. 13 of the Qatr draft.

(j) Art. 14: This concerns the point you raised in the penultimate para. of your letter of 12th Jany. In the case of Qatr we propose to ask that any assignee company shall be registered in the U.K., have its principal place of business in the U.K., and that its Chairman shall at all times be a British subject. It will be much more difficult to obtain these requirements in the case of the Koweit agreement, because we are dealing ab initio with a half-American applicant. I understand that the agreement between the Anglo-Persian and the Gulf Co. is such that they would have the strongest objection to what I may call headquarters British control. Sir John Cadman, as well as Messrs. Frase and Stevens, have in fact told us that the arrangement in regard to the Chairman of the Koweit Co. is that he should be a British subject and an American in alternate years. The Co. will/



will be registered in the U.K. because
(I understand) the promoters are satisfied
that this will make little substantial
difference in respect of liability to
British income-tax, in view of the
arrangements made for sharing the profits
between the parent companies. What are
your views as to accepting the proposal
that any transferee company need not be
registered in the U.K., but should be
registered within the British Empire? Perhaps
the Co. put this in as a safeguard for
themselves in case it should be found
later that the American share of the
profits from a company registered in the
U.K. is not exempt from British incometax.
As you know, the Bahrein Petroleum Co.
is registered in Canada.

I am sending copy of this letter to
Warner and Seal.

Yours sincerely

(sd) J. C. Walton.

Drift Commercial Agreement
(K.) The ~~draft~~ ^{draft} should contain a clause
providing that it will not come into
force until they have signified their
consent in writing.

(L.) I enclose copy of a letter of 15 Jan from
Mr. Hearn with copy of pages 5 & 6 of the ^{draft} agreement to
be substituted for the pages of the draft put out.
You will see that one of the amendments of the 7th
first draft gives the company the right to import food
supplies free of duty. This seems rather a big
concession which is not given in the 1st draft (Mr. 10).



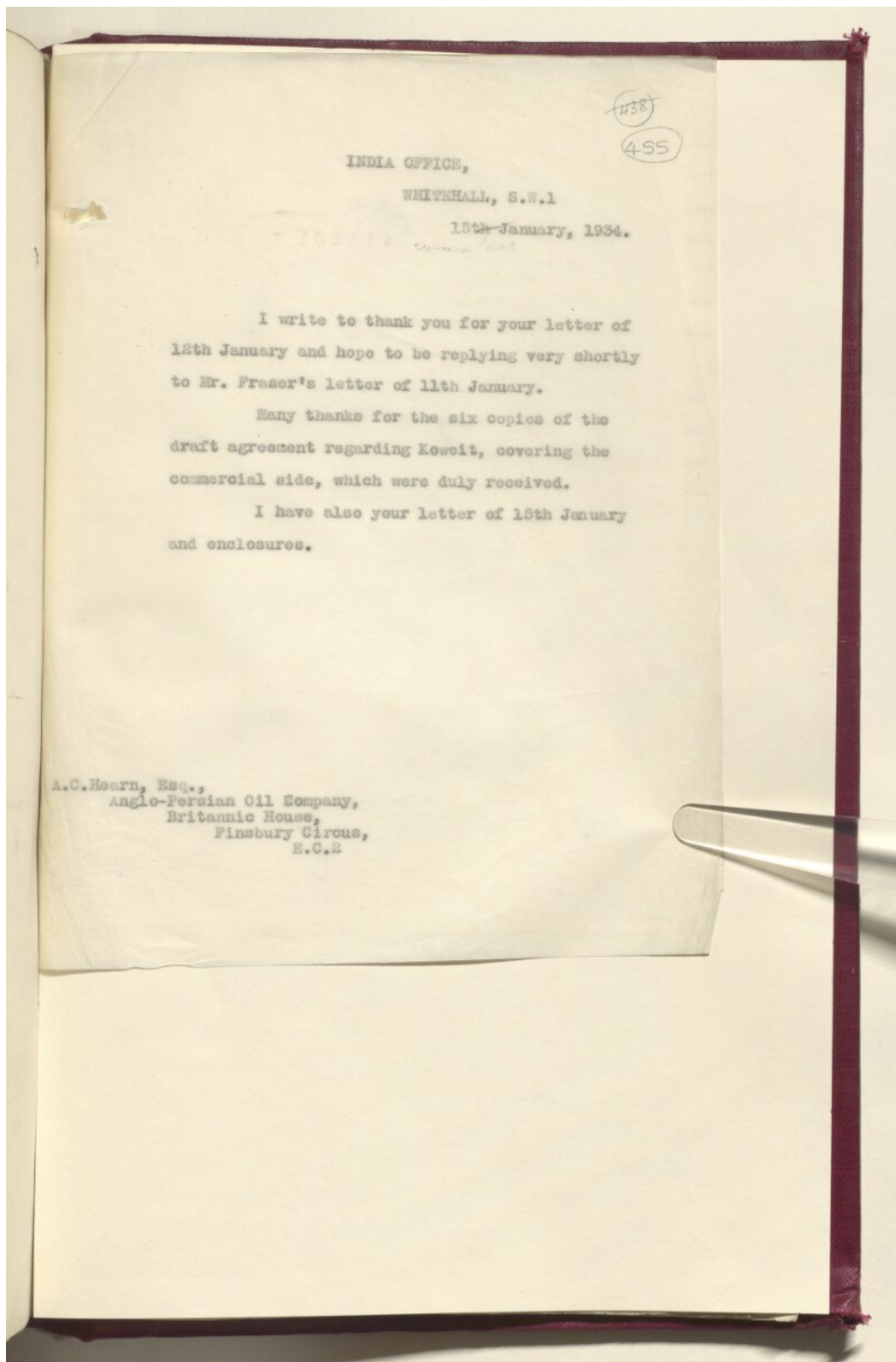
Draft Paper.	Department.
<p><i>The completion of foreign matters before shall be subject to the approval of the P. Resident</i></p>	<p><i>Agreed</i></p> <p>Points to be included in agreement between H.M.G. and the Kuwait Oil Co., Ltd.</p> <p>-----</p> <ol style="list-style-type: none"> 1. The employees of the Company in Koweit shall at all times be British subjects or subjects of the Sheikh of Koweit, provided that, with the consent of H.M.G., such persons of other nationality as are required for the efficient carrying on of the undertaking may be employed. 2. One of the superior British local employees of the Company shall be designated, subject to the approval of H.M.G., chief local representative of the Company in Koweit, ^{He} who will be ordinarily resident at Koweit and will be responsible for the Company's local relations with the Koweit authorities, which shall always be conducted through the Political Agent at Koweit. 3. The Company undertake at all times to pay due deference to the wishes of the Sheikh of Koweit and to the advice of the Political Agent and the Political Resident in the Persian Gulf. 4. Notwithstanding anything contained in the agreement between the Company and the Sheikh of Koweit . . . the Company shall not have the right to use or occupy, and shall not include in the areas/

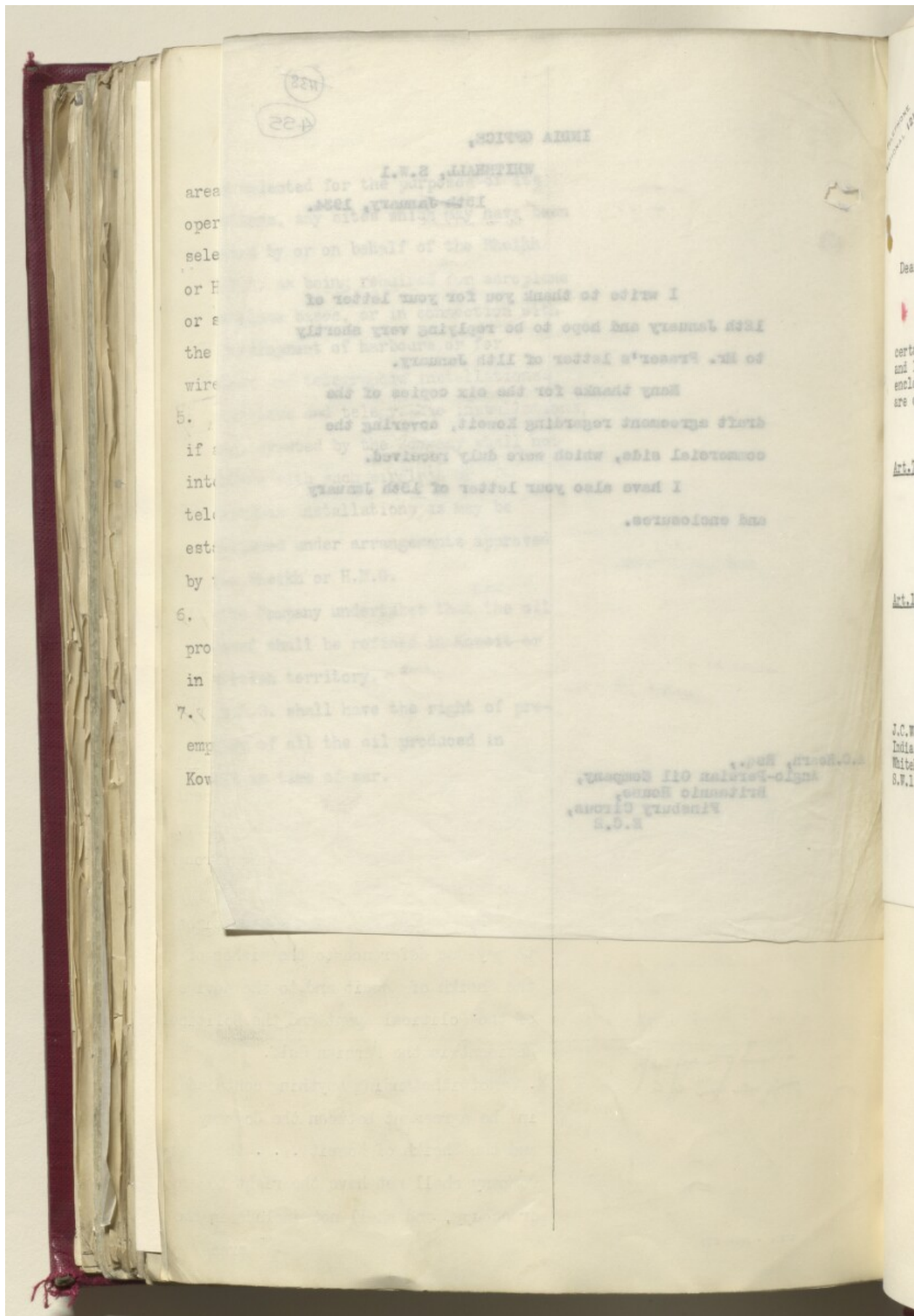
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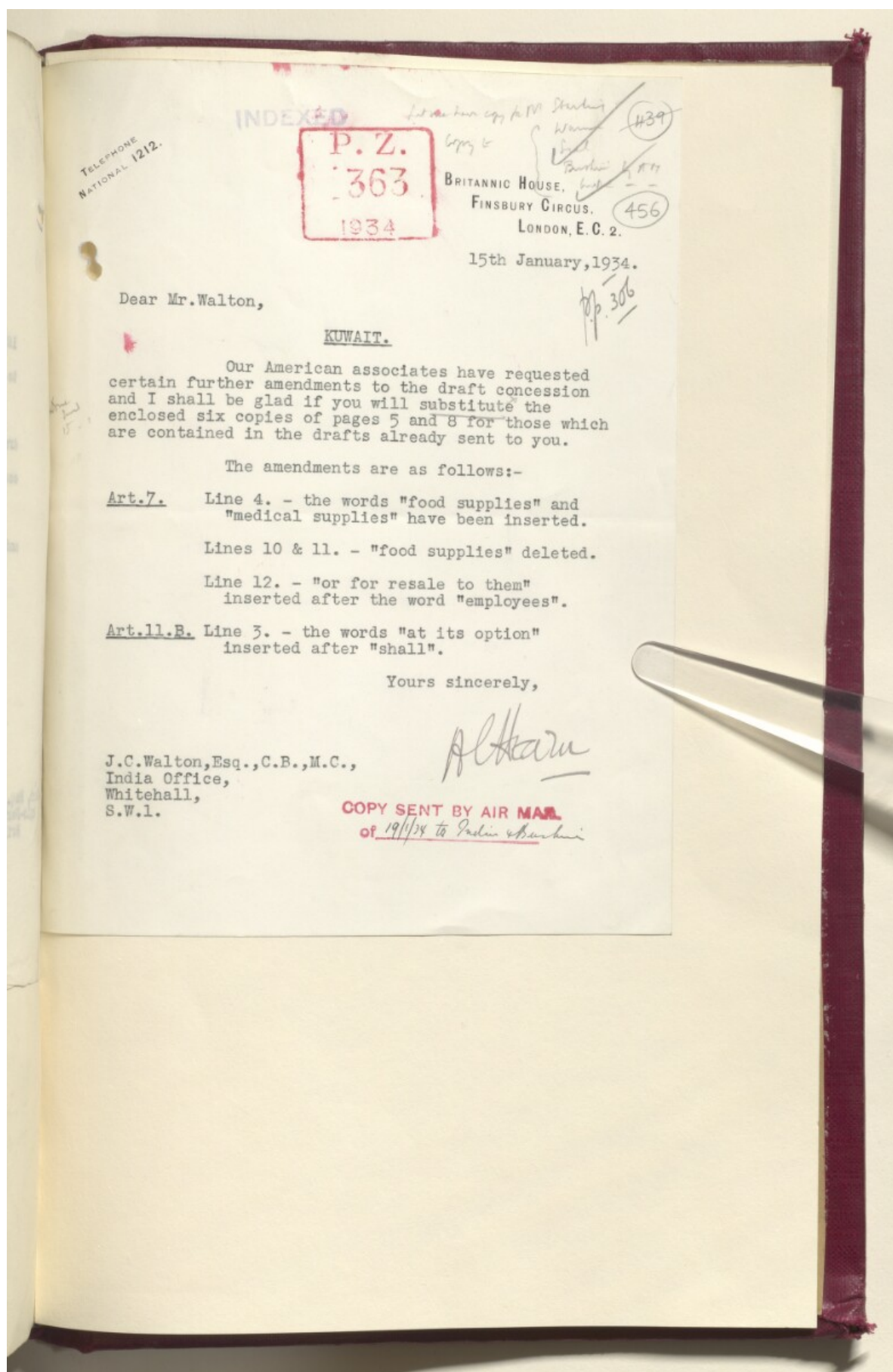


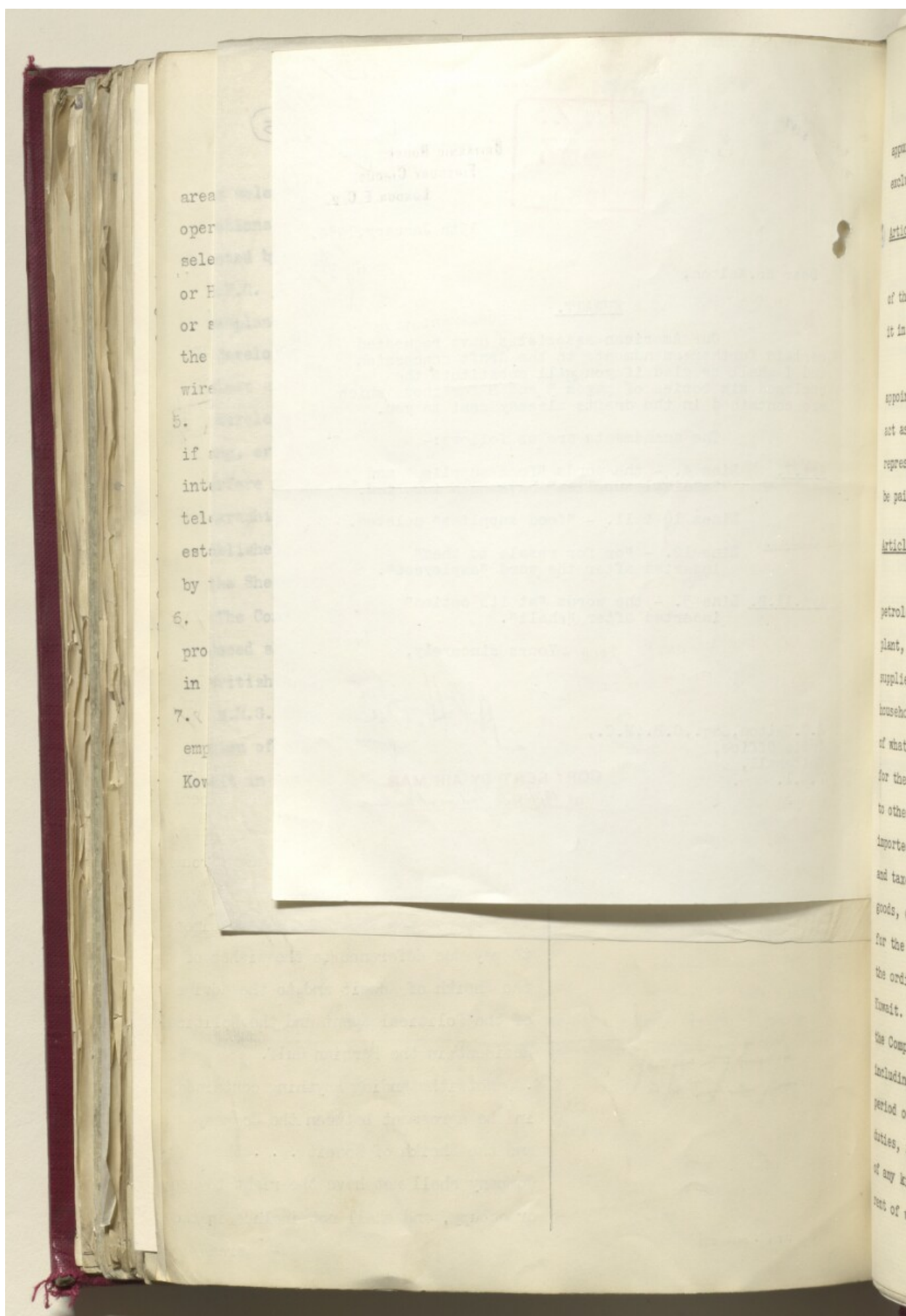
- areas selected for the purposes of its operations, any sites which may have been selected by or on behalf of the Sheikh or H.M.G. as being required for aeroplane or seaplane bases, or in connection with the development of harbours, or for wireless and telegraphic installations.
5. Wireless and telegraphic installations, if any, erected by the Company shall not interfere with such wireless or telegraphic installations as may be established under arrangements approved by the Sheikh or H.M.G.
6. The Company undertakes that the oil produced shall be refined in ~~Koweit~~ or in British territory, ^{or elsewhere}
7. H.M.G. shall have the right of pre-emption of all the oil produced in Koweit in time of war.

J.S. Horn,
Angl











5.

appurtenances constructed by the Company shall be for its exclusive use.

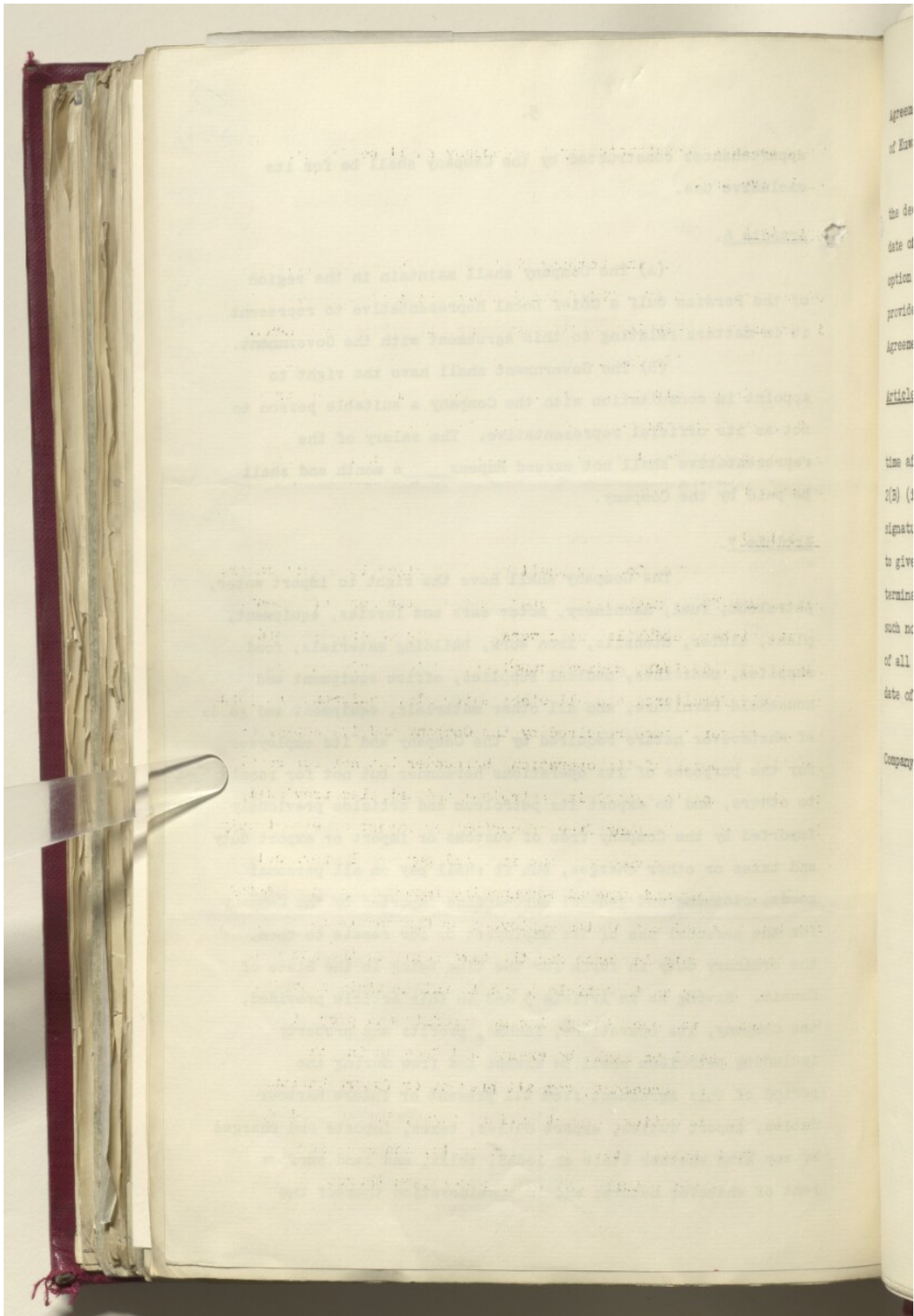
Article 6.

(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Government.

(B) The Government shall have the right to appoint in consultation with the Company a suitable person to act as its official representative. The salary of the representative shall not exceed Rupees _____ a month and shall be paid by the Company.

Article 7.

The Company shall have the right to import water, petroleum, fuel, machinery, motor cars and lorries, equipment, plant, timber, utensils, iron work, building materials, food supplies, medicines, medical supplies, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all personal goods, clothing and general merchandise imported by the Company for the personal use of its employees or for resale to them, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the





8.

Agreement and all the property of the Company within the State of Kuwait shall become the property of the Government.

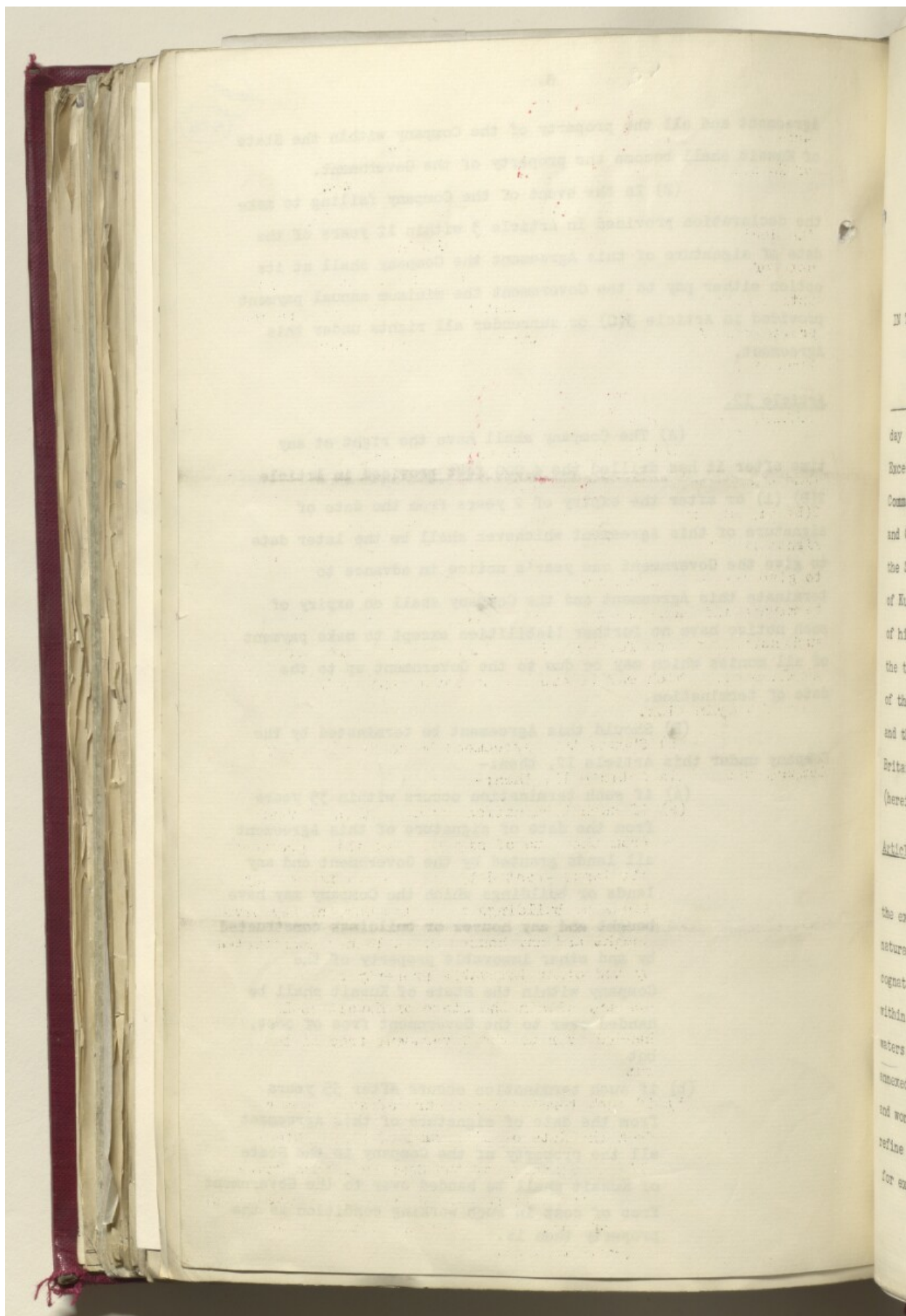
(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Government the minimum annual payment provided in Article 3(C) or surrender all rights under this Agreement.

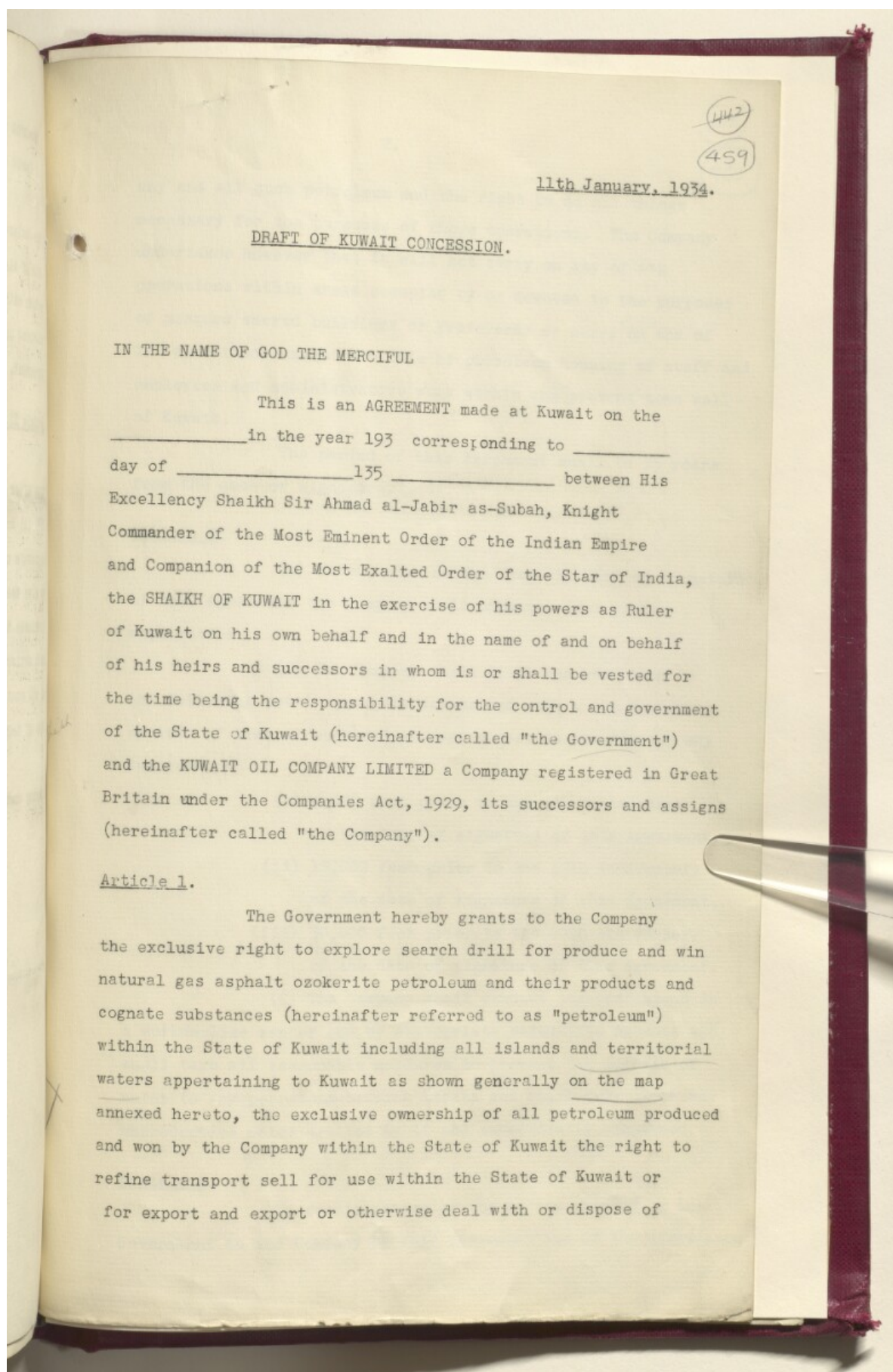
Article 12.

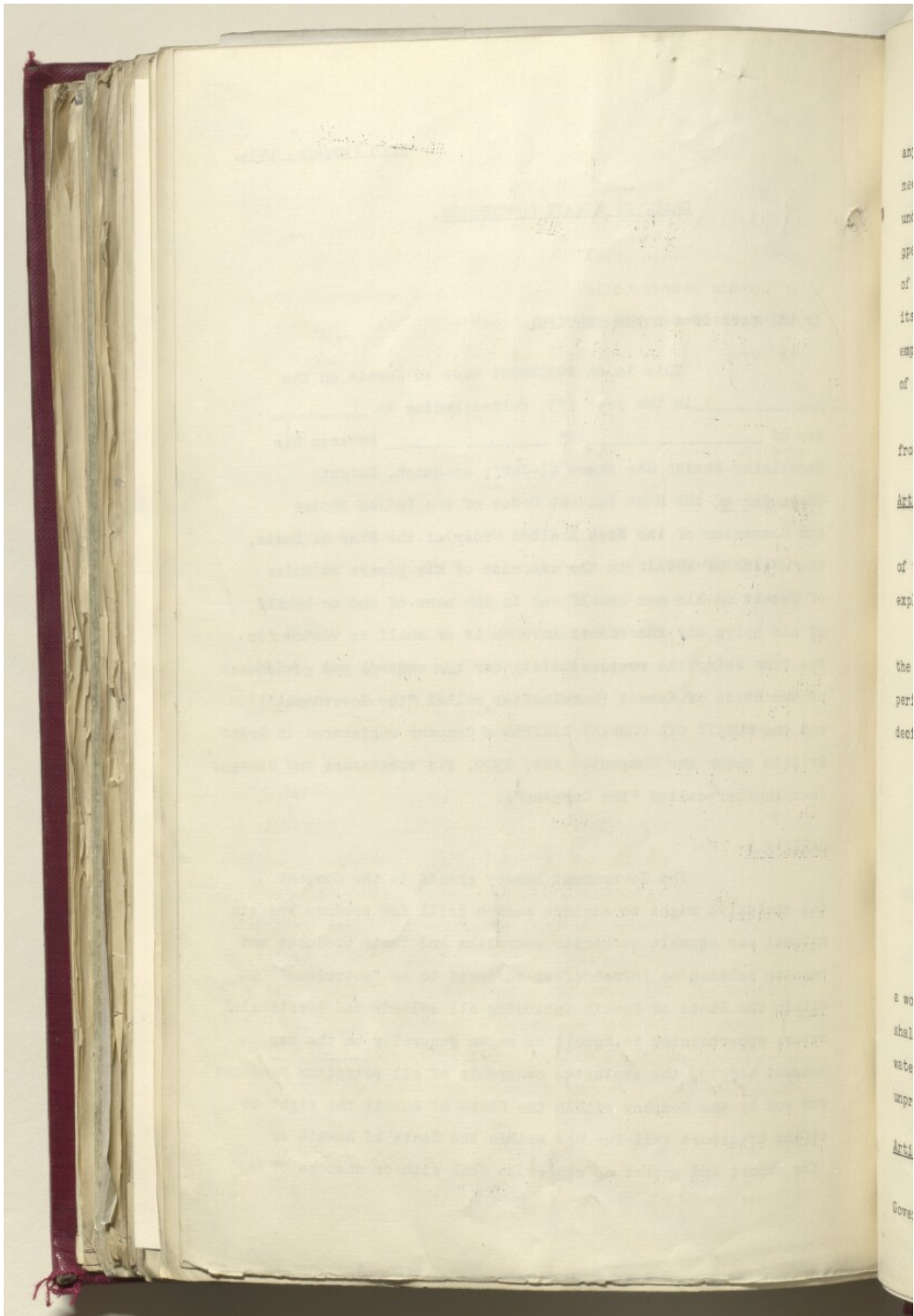
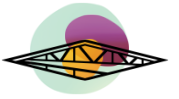
(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2(B) (1) or after the expiry of 2 years from the date of signature of this Agreement whichever shall be the later date to give the Government one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Government up to the date of termination.

(B) Should this Agreement be terminated by the Company under this Article 12, then:-

- (a) if such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Government and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Government free of cost, but
- (b) if such termination occurs after 35 years from the date of signature of this Agreement all the property of the Company in the State of Kuwait shall be handed over to the Government free of cost in such working condition as the property then is.









2.

any and all such petroleum and the right to do all things necessary for the purposes of those operations. The Company undertakes however that it will not carry on any of its operations within areas occupied by or devoted to the purposes of mosques sacred buildings or graveyards or carry on any of its operations except the sale of petroleum housing of staff and employees and administrative work within the present town wall of Kuwait.

The period of this Agreement shall be 75 years from the date of signature.

Article 2.

(A) Within nine months from the date of signature of this Agreement the Company shall commence geological exploration.

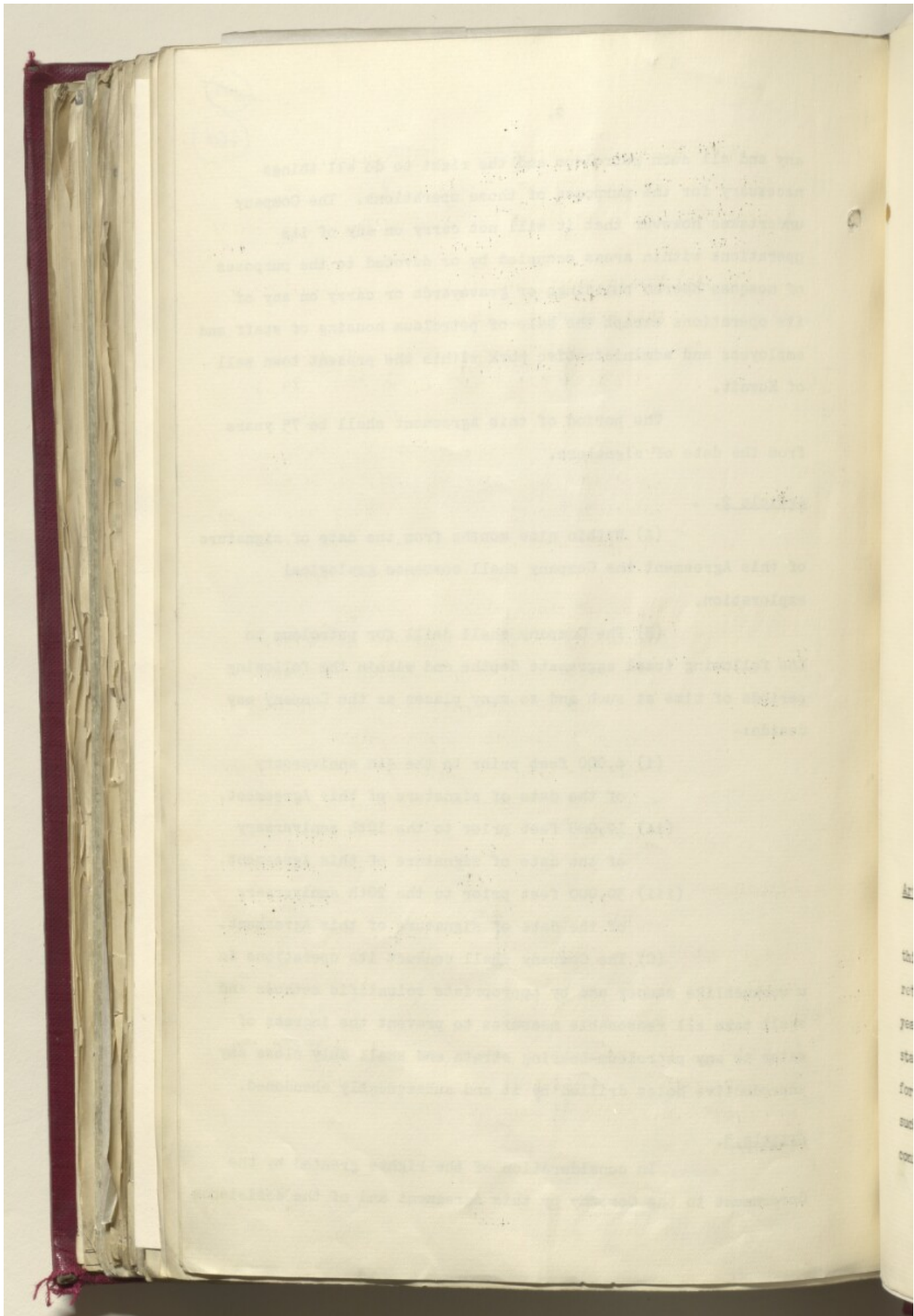
(B) The Company shall drill for petroleum to the following total aggregate depths and within the following periods of time at such and so many places as the Company may decide:-

- (i) 4,000 feet prior to the 4th anniversary of the date of signature of this Agreement.
- (ii) 12,000 feet prior to the 10th anniversary of the date of signature of this Agreement.
- (iii) 30,000 feet prior to the 20th anniversary of the date of signature of this Agreement.

(C) The Company shall conduct its operations in a workmanlike manner and by appropriate scientific methods and shall take all reasonable measures to prevent the ingress of water to any petroleum-bearing strata and shall duly close any unproductive holes drilled by it and subsequently abandoned.

Article 3.

In consideration of the rights granted by the Government to the Company by this Agreement and of the assistance





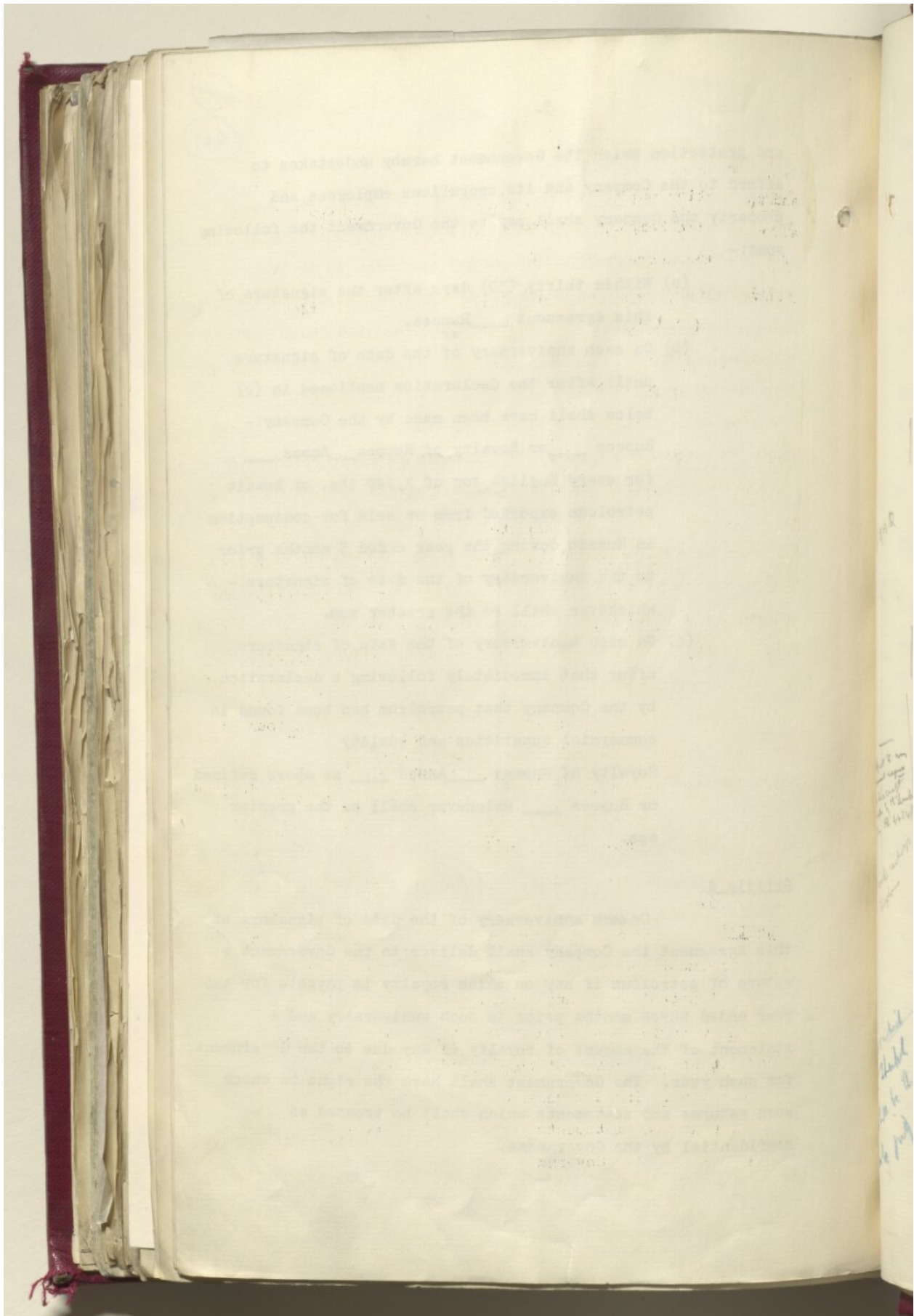
3.

and protection which the Government hereby undertakes to afford to the Company and its operations employees and property the Company shall pay to the Government the following sums:-

- (a) Within thirty (30) days after the signature of this Agreement ____Rupees.
- (b) On each anniversary of the date of signature until after the declaration mentioned in (c) below shall have been made by the Company:-
Rupees ____or Royalty of Rupees__Annas____
for every English ton of 2,240 lbs. of Kuwait petroleum exported from or sold for consumption in Kuwait during the year ended 3 months prior to the anniversary of the date of signature -
whichever shall be the greater sum.
- (c) On each anniversary of the date of signature after that immediately following a declaration by the Company that petroleum has been found in commercial quantities and quality
Royalty of Rupees ____Annas ____ as above defined
or Rupees ____ whichever shall be the greater sum.

Article 4.

On each anniversary of the date of signature of this Agreement the Company shall deliver to the Government a return of petroleum if any on which royalty is payable for the year ended three months prior to such anniversary and a statement of the amount of royalty if any due to the Government for such year. The Government shall have the right to check such returns and statements which shall be treated as confidential by the Government.





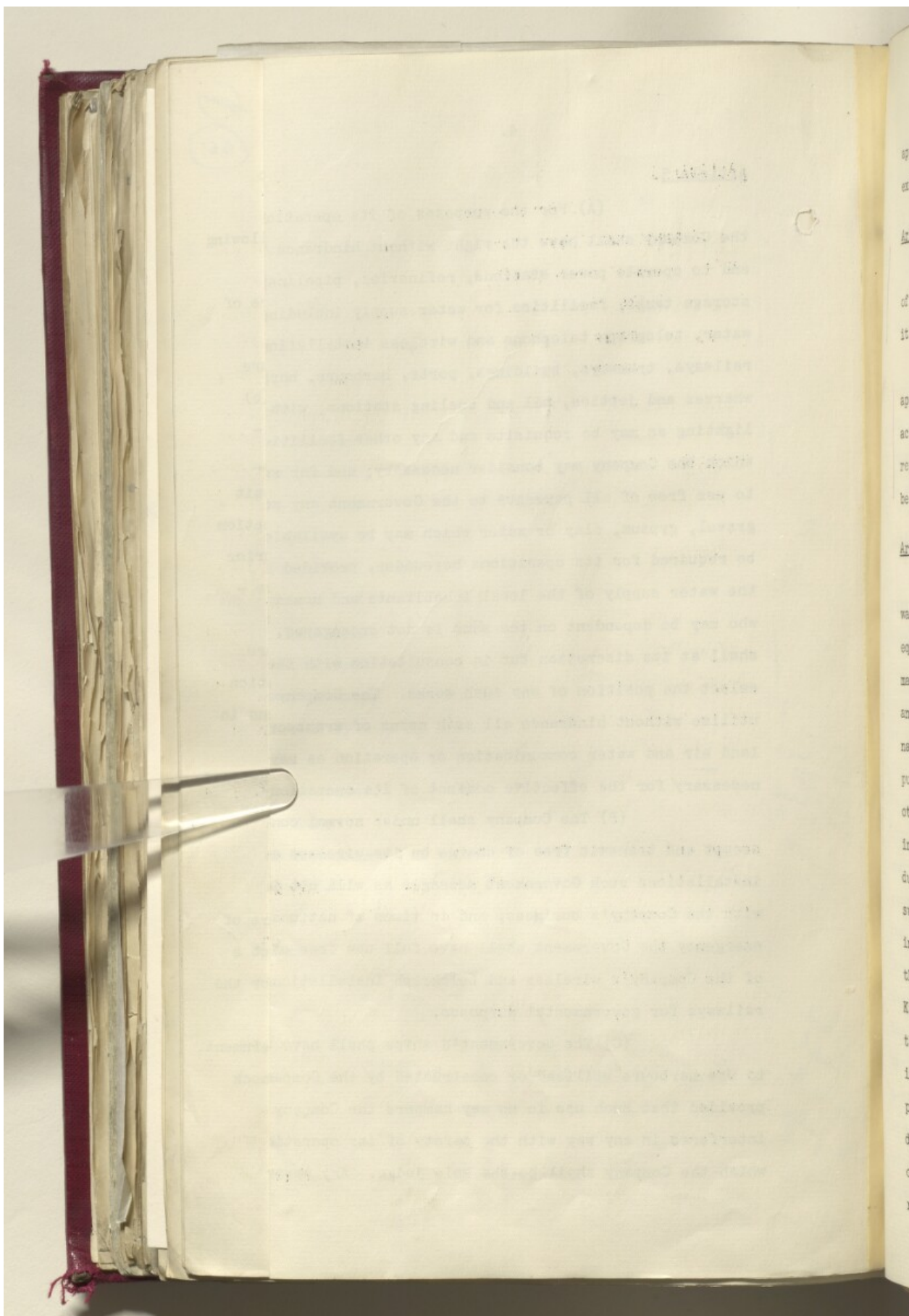
4.

Article 5.

(A) For the purposes of its operations hereunder the Company shall have the right without hindrance to construct and to operate power stations, refineries, pipelines and storage tanks, facilities for water supply including boring for water, telegraph telephone and wireless installations, roads, railways, tramways, buildings, ports, harbours, harbour works, wharves and jetties, oil and coaling stations, with such lighting as may be requisite and any other facilities or works which the Company may consider necessary, and for such purposes to use free of all payments to the Government any stone, sand, gravel, gypsum, clay or water which may be available and may be required for its operations hereunder, provided always that the water supply of the local inhabitants and nomad population who may be dependent on the same is not endangered. The Company shall at its discretion but in consultation with the Government select the position of any such works. The Company may likewise utilise without hindrance all such means of transportation by land air and water communication or operation as may be necessary for the effective conduct of its operations hereunder.

(B) The Company shall under normal conditions accept and transmit free of charge on its wireless and telegraph installations such Government messages as will not interfere with the Company's business, and in times of national emergency the Government shall have full use free of charge of the Company's wireless and telegraph installations and railways for governmental purposes.

(C) The Government's ships shall have the right to use harbours utilised or constructed by the Company, provided that such use in no way hampers the Company or interferes in any way with the safety of its operations of which the Company shall be the sole judge. Any wharves or





5. — See substituted page below

(463)

appurtenances constructed by the Company shall be for its exclusive use.

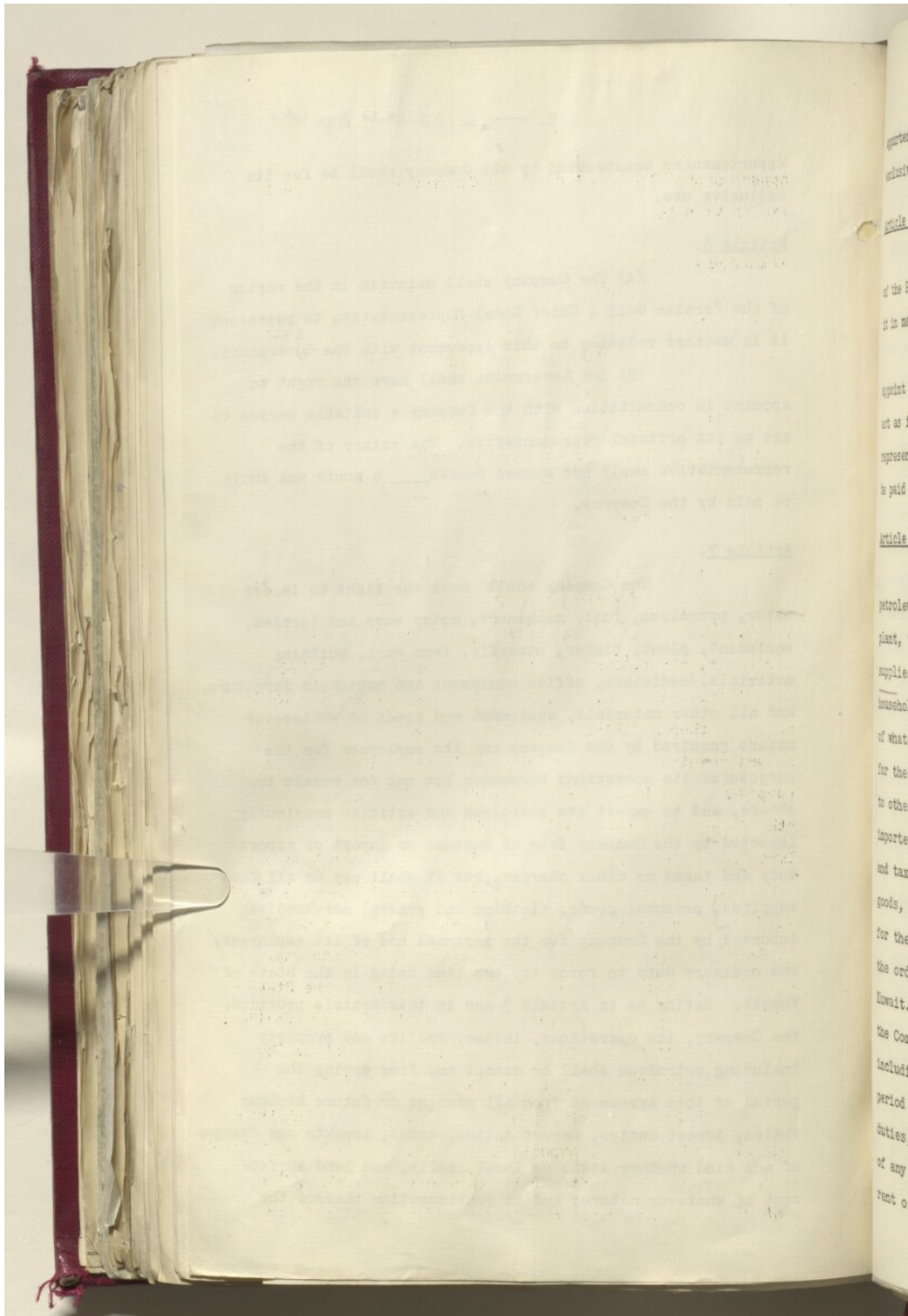
Article 6.

(A) The Company shall maintain in the region of the Persian Gulf a Chief Local Representative to represent it in matters relating to this Agreement with the Government.

(B) The Government shall have the right to appoint in consultation with the Company a suitable person to act as its official representative. The salary of the representative shall not exceed Rupees ____ a month and shall be paid by the Company.

Article 7.

The Company shall have the right to import water, petroleum, fuel, machinery, motor cars and lorries, equipment, plant, timber, utensils, iron work, building materials, medicines, office equipment and household furniture, and all other materials, equipment and goods of whatsoever nature required by the Company and its employees for the purposes of its operations hereunder but not for resale to others, and to export its petroleum and articles previously imported by the Company free of customs or import or export duty and taxes or other charges, but it shall pay on all food supplies, personal goods, clothing and general merchandise imported by the Company for the personal use of its employees, the ordinary duty in force for the time being in the State of Kuwait. Saving as in Article 3 and in this Article provided, the Company, its operations, income, profits and property including petroleum shall be exempt and free during the period of this Agreement from all present or future harbour duties, import duties, export duties, taxes, imposts and charges of any kind whether state or local, tolls, and land surface rent of whatever nature; and in consideration thereof the





5.

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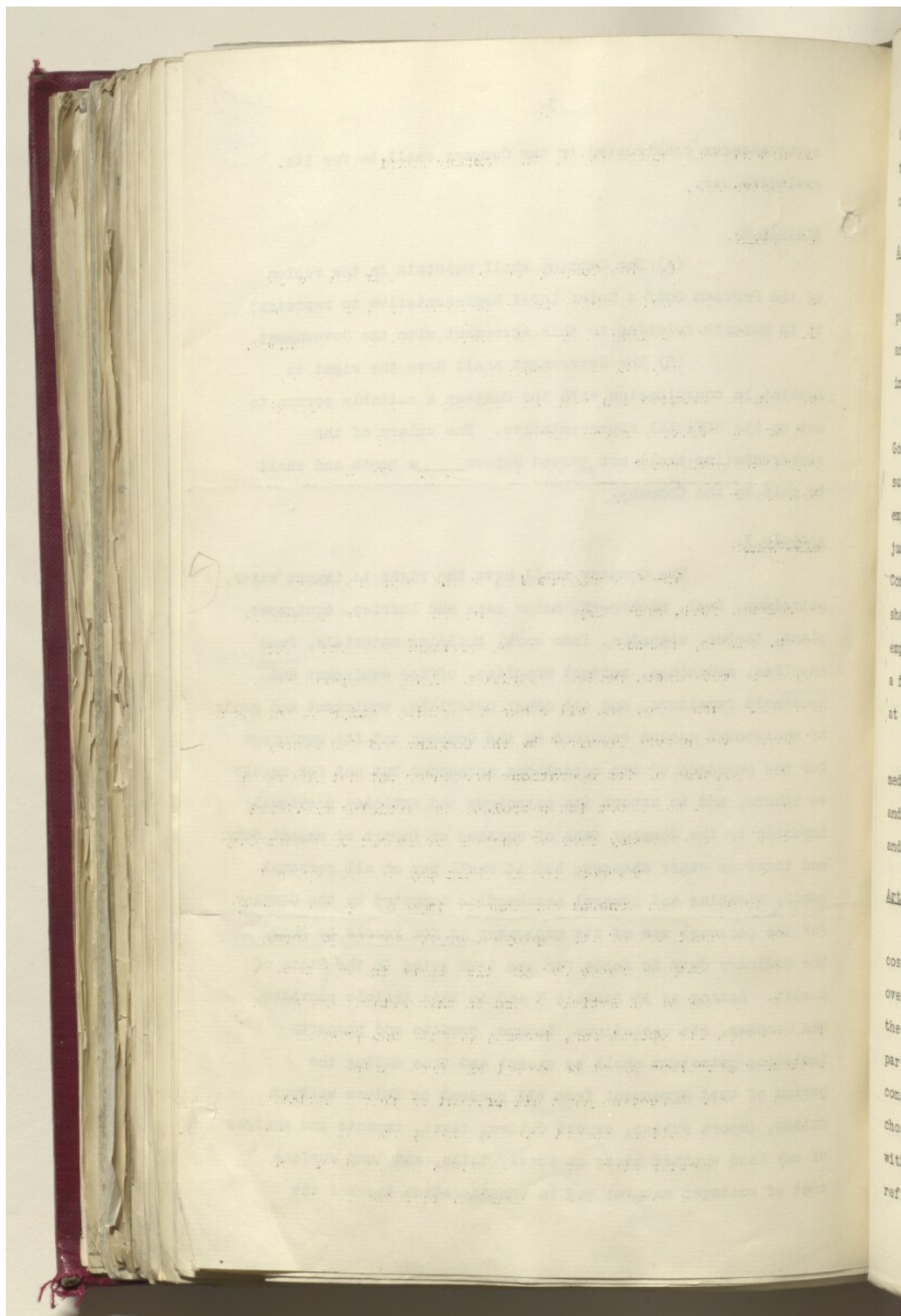
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6.

Company shall pay to the Government on each anniversary of the date of signature of this Agreement annas per ton of petroleum on which royalty is payable.

Article 8.

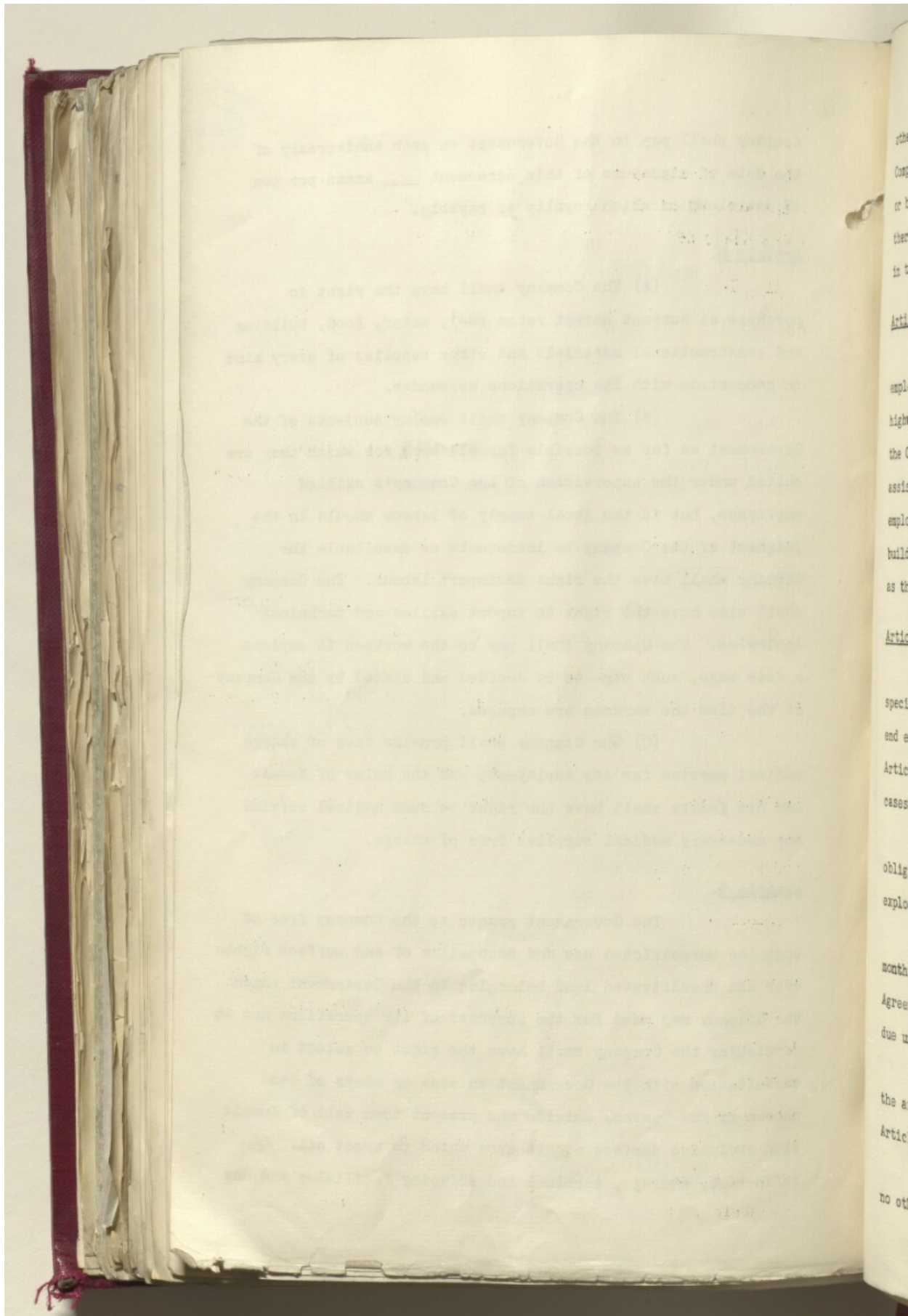
(A) The Company shall have the right to purchase at current market rates fuel, water, food, building and constructional materials and other supplies of every kind in connection with its operations hereunder.

(B) The Company shall employ subjects of the Government as far as possible for all work for which they are suited under the supervision of the Company's skilled employees, but if the local supply of labour should in the judgment of the Company be inadequate or unsuitable the Company shall have the right to import labour. The Company shall also have the right to import skilled and technical employees. The Company shall pay to the workmen it employs a fair wage, such wage to be decided and stated by the Company at the time the workmen are engaged.

(C) The Company shall provide free of charge medical service for its employees, and the Ruler of Kuwait and his family shall have the right to such medical service and necessary medical supplies free of charge.

Article 9.

The Government grants to the Company free of cost the unrestricted use and occupation of and surface rights over all uncultivated land belonging to the Government which the Company may need for the purposes of its operations and in particular the Company shall have the right to select in consultation with the Government an area or areas of land chosen by the Company outside the present town wall of Kuwait with exclusive surface rights upon which to erect oil refineries, storage, terminal and shipping facilities and any





7.

other works required for the Company's operations; and the Company may buy or lease for such purposes any lands, houses or buildings on conditions to be arranged with the proprietors thereof but at rates not in excess of those ordinarily current in their respective localities.

Article 10.

The Government shall give to the Company and its employees and property all protection in its power from theft, highway robbery, assault, wilful damage and destruction, and the Company may appoint and itself pay trustworthy guards to assist in protecting the property of the Company and its employees. The Company may erect at its own expense suitable buildings for the accommodation of such guards at such places as the Company shall decide.

Article 11.

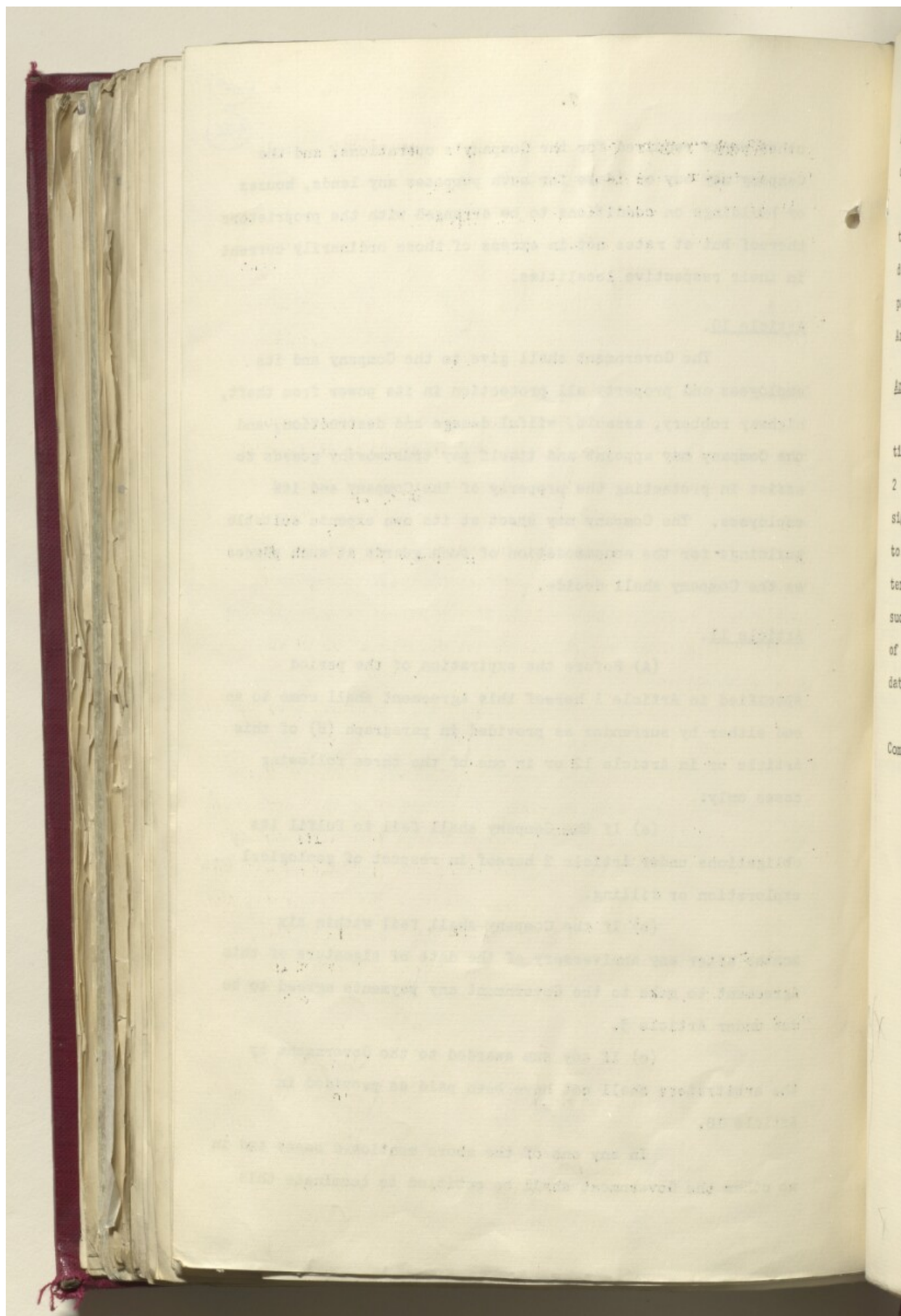
(A) Before the expiration of the period specified in Article 1 hereof this Agreement shall come to an end either by surrender as provided in paragraph (B) of this Article or in Article 12 or in one of the three following cases only:

(a) If the Company shall fail to fulfil its obligations under Article 2 hereof in respect of geological exploration or dilling.

(b) If the Company shall fail within six months after any anniversary of the date of signature of this Agreement to make to the Government any payments agreed to be due under Article 3.

(c) If any sum awarded to the Government by the arbitrators shall not have been paid as provided in Article 18.

In any one of the above mentioned cases and in no other the Government shall be entitled to terminate this





8. — See Substituted page below (467) (467)

Agreement and all the property of the Company within the State of Kuwait shall become the property of the Government.

(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall either pay to the Government the minimum annual payment provided in Article 3(C) or surrender all rights under this Agreement.

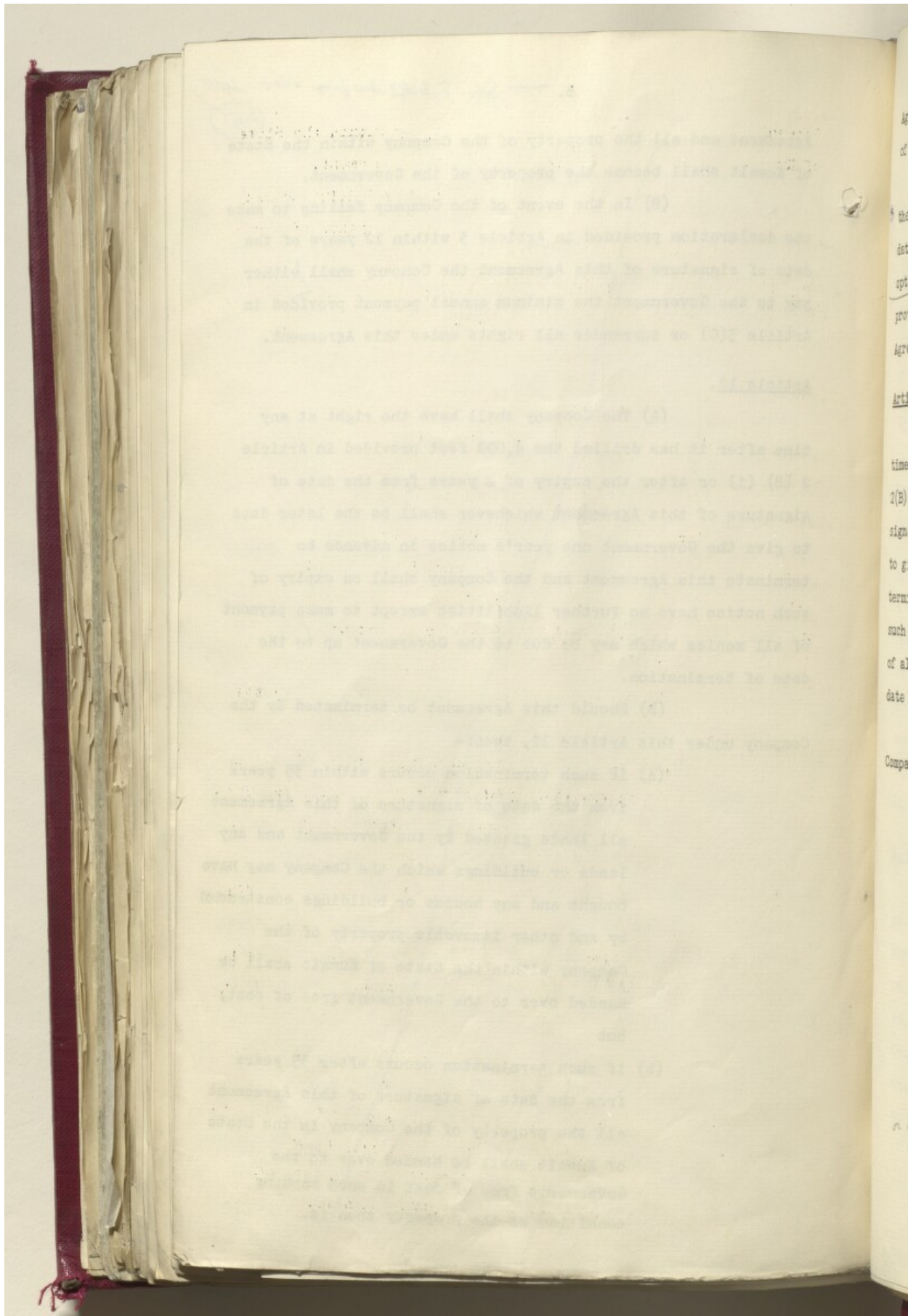
Article 12.

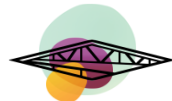
(A) The Company shall have the right at any time after it has drilled the 4,000 feet provided in Article 2 (B) (i) or after the expiry of 2 years from the date of signature of this Agreement whichever shall be the later date to give the Government one year's notice in advance to terminate this Agreement and the Company shall on expiry of such notice have no further liabilities except to make payment of all monies which may be due to the Government up to the date of termination.

(B) Should this Agreement be terminated by the Company under this Article 12, then:-

(a) if such termination occurs within 35 years from the date of signature of this Agreement all lands granted by the Government and any lands or buildings which the Company may have bought and any houses or buildings constructed by and other immovable property of the Company within the State of Kuwait shall be handed over to the Government free of cost, but

(b) if such termination occurs after 35 years from the date of signature of this Agreement all the property of the Company in the State of Kuwait shall be handed over to the Government free of cost in such working condition as the property then is.





8.

468
(45)

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(B) In the event of the Company failing to make the declaration provided in Article 3 within 12 years of the date of signature of this Agreement the Company shall at its option either pay to the Government the minimum annual payment provided in Article 3(C) or surrender all rights under this Agreement.

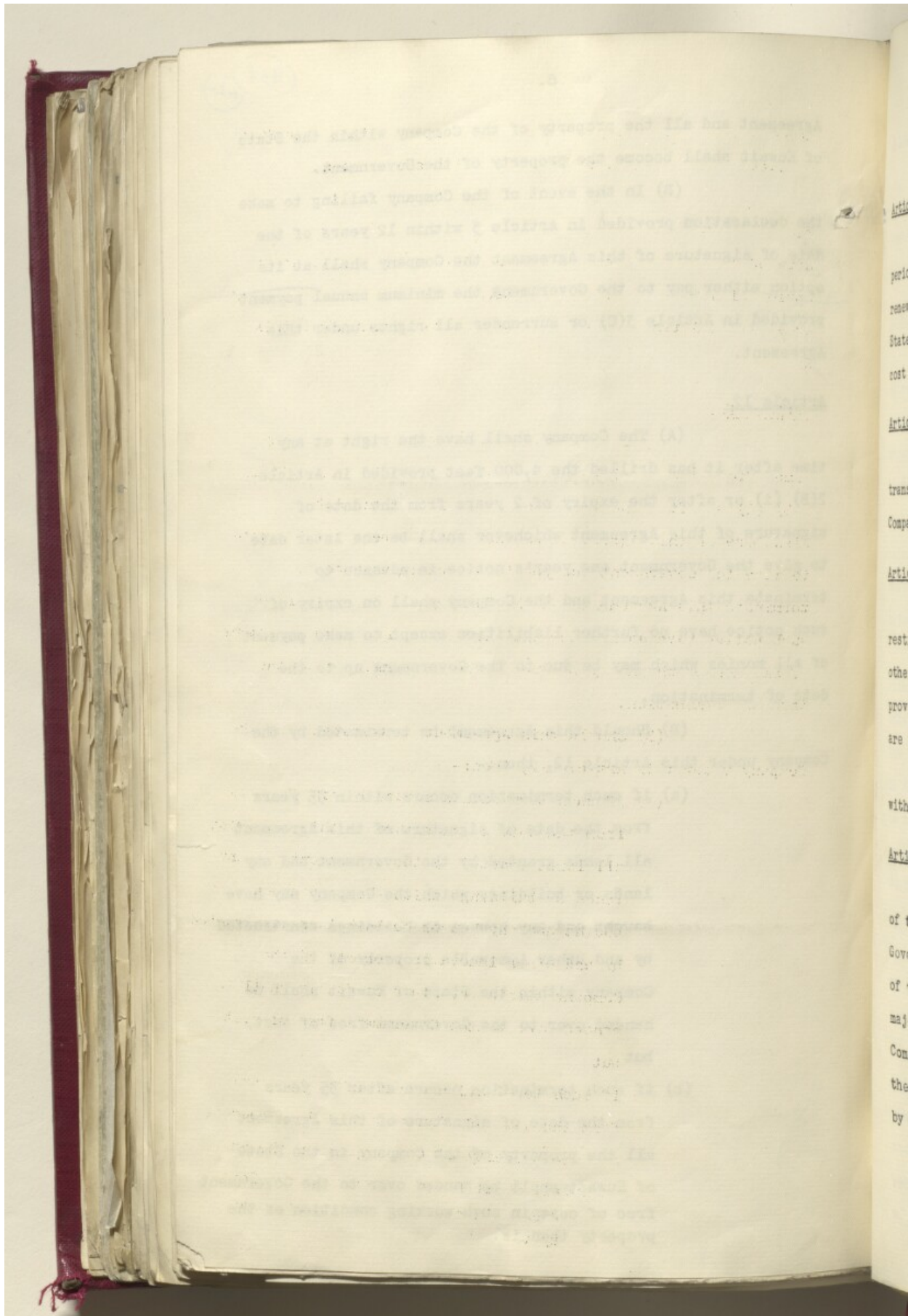
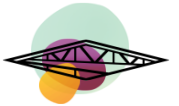
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(b) if such termination occurs after 35 years from the date of signature of this Agreement all the property of the Company in the State of Kuwait shall be handed over to the Government free of cost in such working condition as the property then is.





9.

Article 13.

On the expiry of this Agreement at the end of the period of 75 years provided in Article 1 or of any extension or renewal of that period all the property of the Company in the State of Kuwait shall be handed over to the Government free of cost in such working condition as the property then is.

Article 14.

The Government hereby agrees that the Company may transfer the obligations and benefits of this Agreement to any Company registered within the British Empire.

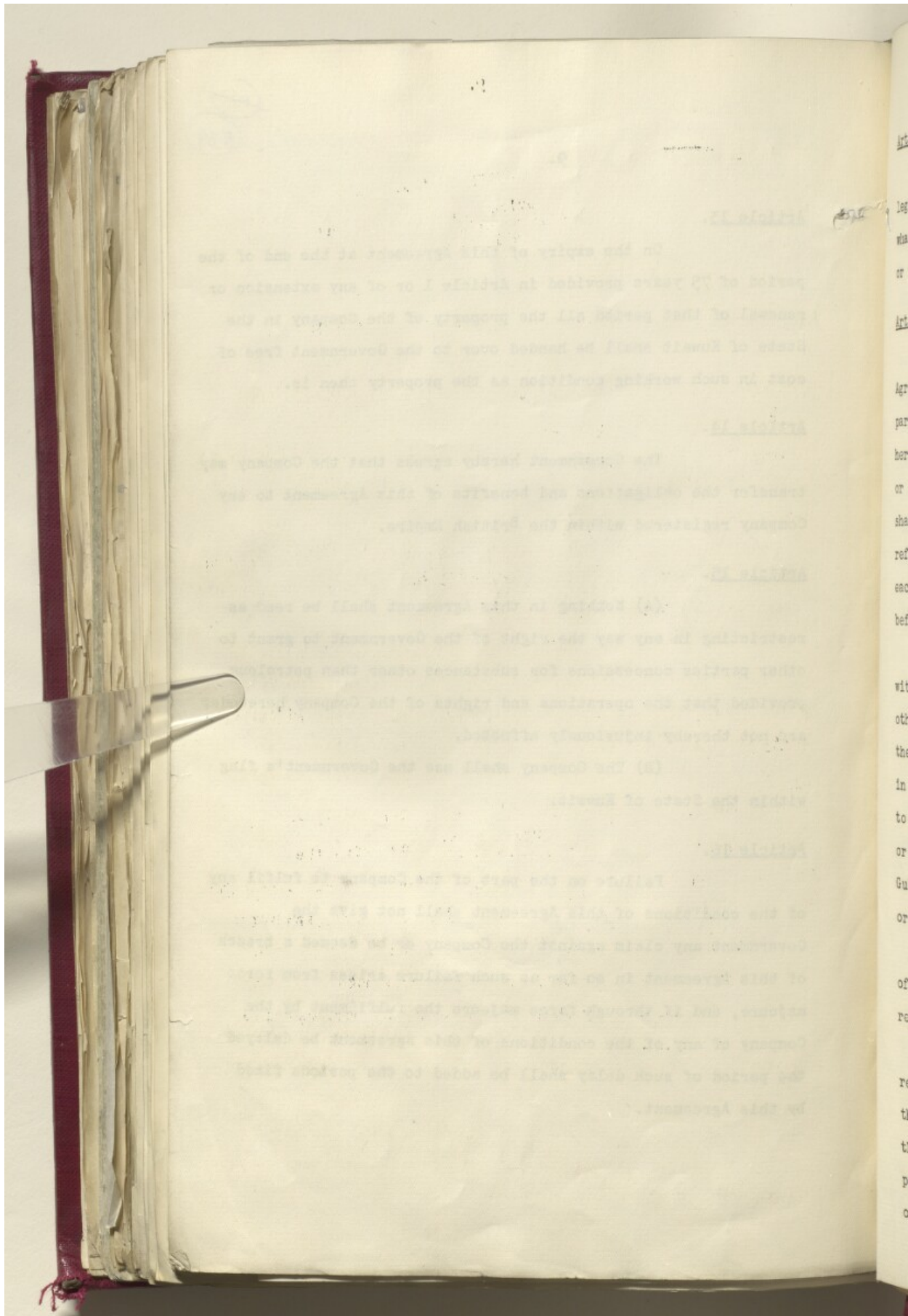
Article 15.

(A) Nothing in this Agreement shall be read as restricting in any way the right of the Government to grant to other parties concessions for substances other than petroleum provided that the operations and rights of the Company hereunder are not thereby injuriously affected.

(B) The Company shall use the Government's flag within the State of Kuwait.

Article 16.

Failure on the part of the Company to fulfil any of the conditions of this Agreement shall not give the Government any claim against the Company or be deemed a breach of this Agreement in so far as such failure arises from force majeure, and if through force majeure the fulfilment by the Company of any of the conditions of this Agreement be delayed the period of such delay shall be added to the periods fixed by this Agreement.





10.

Article 17.

The Government shall not by general or special legislation or by administrative measures or by any other act whatever annul this Agreement, except as provided in Article 11, or alter the terms of this Agreement.

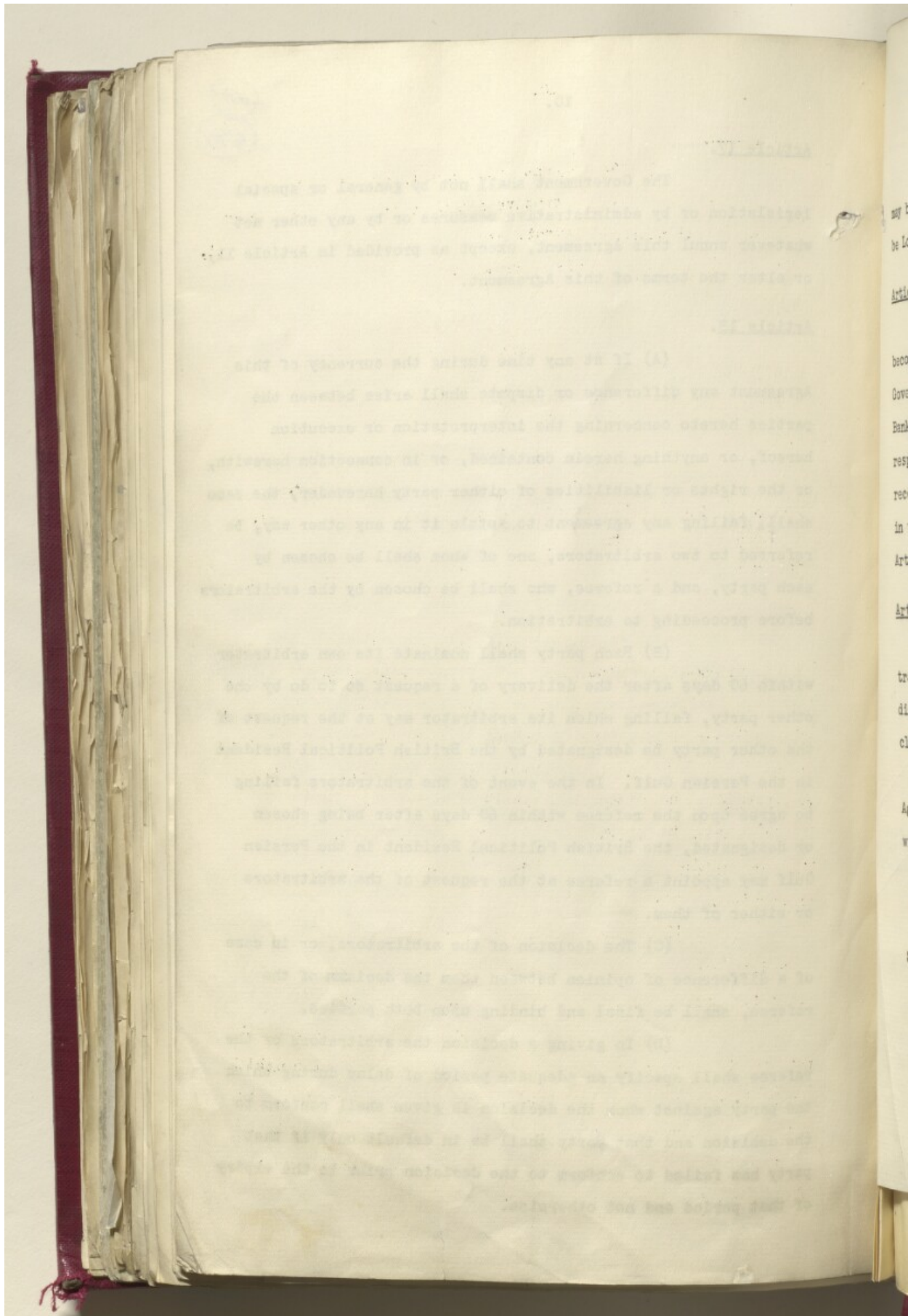
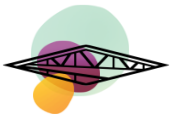
Article 18.

(A) If at any time during the currency of this Agreement any difference or dispute shall arise between the parties hereto concerning the interpretation or execution hereof, or anything herein contained, or in connection herewith, or the rights or liabilities of either party hereunder, the same shall, failing any agreement to settle it in any other way, be referred to two arbitrators, one of whom shall be chosen by each party, and a referee, who shall be chosen by the arbitrators before proceeding to arbitration.

(B) Each party shall nominate its own arbitrator within 60 days after the delivery of a request so to do by the other party, failing which its arbitrator may at the request of the other party be designated by the British Political Resident in the Persian Gulf. In the event of the arbitrators failing to agree upon the referee within 60 days after being chosen or designated, the British Political Resident in the Persian Gulf may appoint a referee at the request of the arbitrators or either of them.

(C) The decision of the arbitrators, or in case of a difference of opinion between them the decision of the referee, shall be final and binding upon both parties.

(D) In giving a decision the arbitrators or the referee shall specify an adequate period of delay during which the party against whom the decision is given shall conform to the decision and that party shall be in default only if that party has failed to conform to the decision prior to the expiry of that period and not otherwise.





11.

(E) The place of arbitration shall be such as may be agreed by the parties and in default of agreement shall be London.

Article 19.

The Company shall make all payments that become due to the Government under this Agreement into the Government's account at the _____ Bank in _____ and the Bank's receipt shall be a full discharge for the Company in respect to the payment of the sum stated in the Bank's receipt. The Government may from time to time designate in writing another Bank or Banks for the purpose of this Article.

Article 20.

This Agreement is written in English and translated into Arabic. If there should at any time be disagreement as to the meaning or interpretation of any clause in this Agreement the English text shall prevail.

In witness whereof the parties to this Agreement have set their hands the day and year first above written.

SHAIKH OF KUWAIT

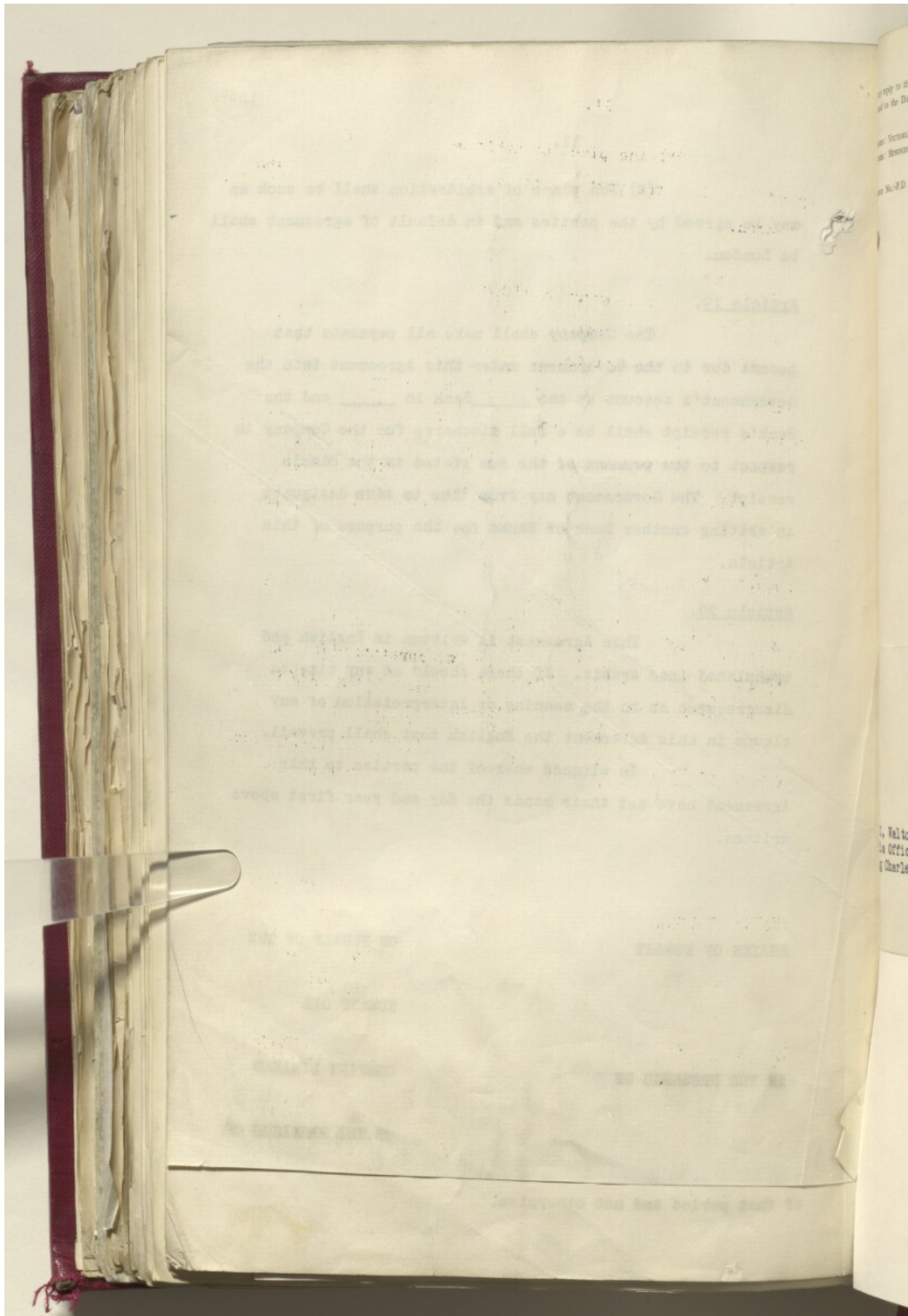
ON BEHALF OF THE

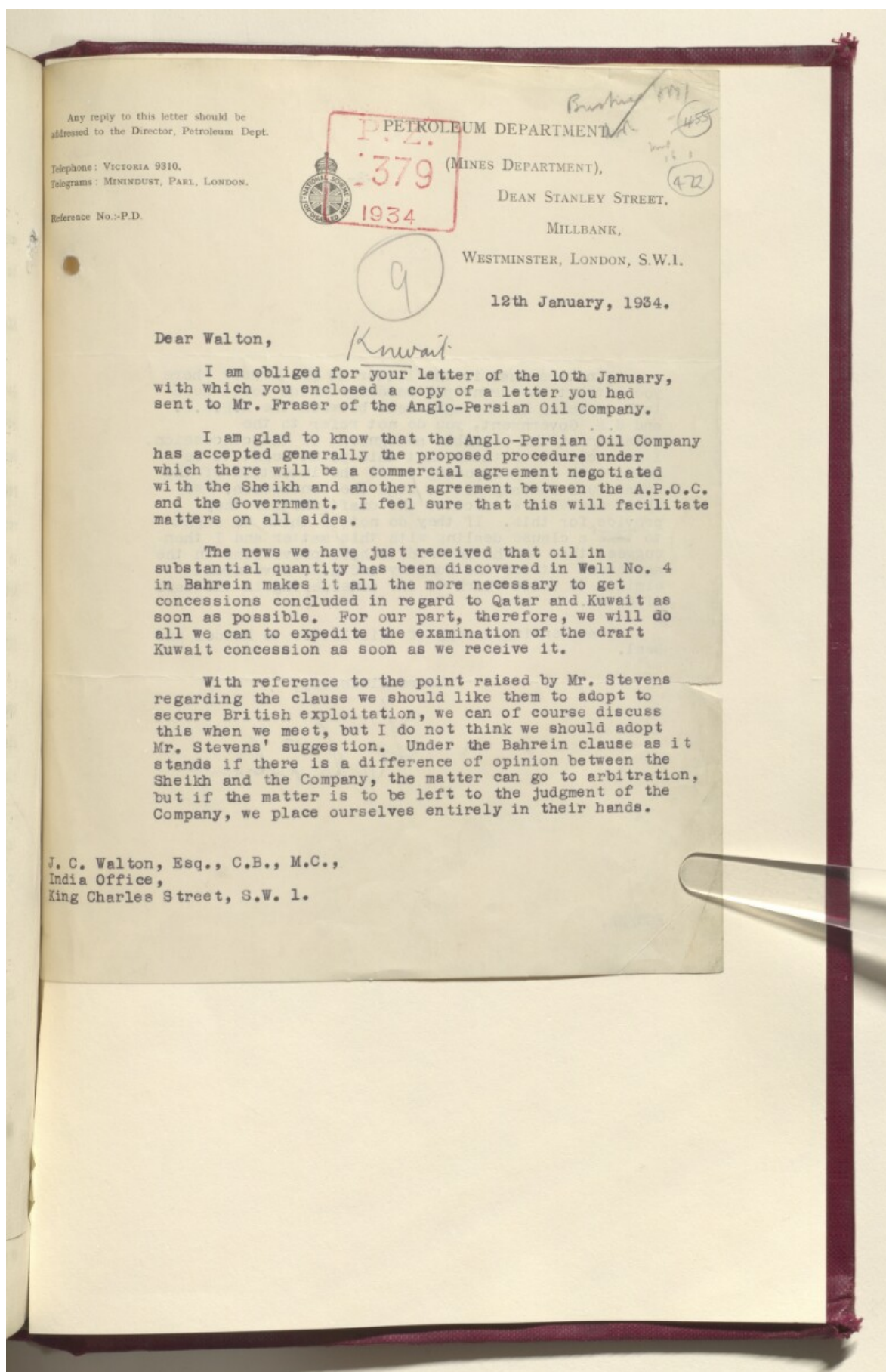
KUWAIT OIL

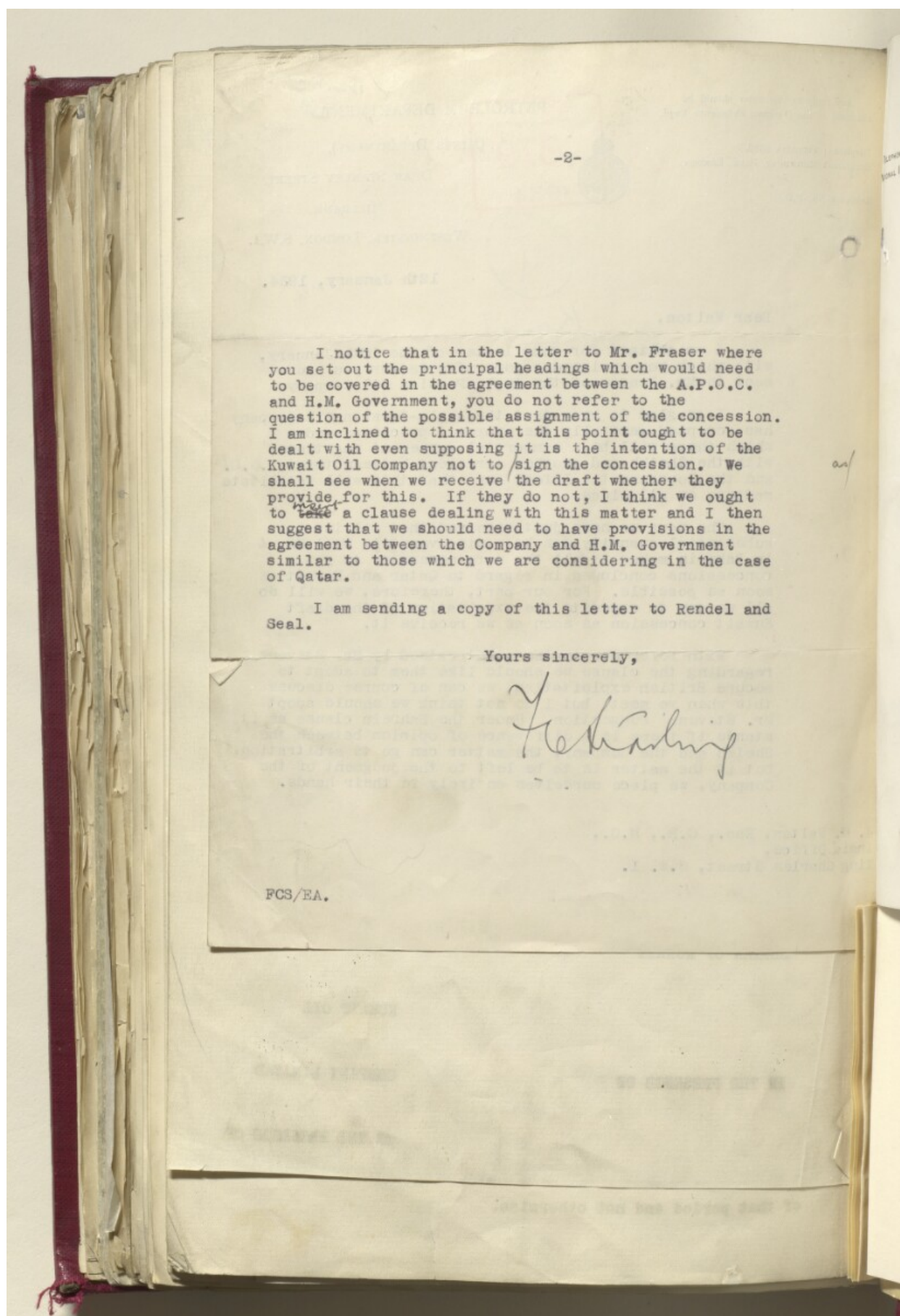
IN THE PRESENCE OF

COMPANY LIMITED

IN THE PRESENCE OF







-2-

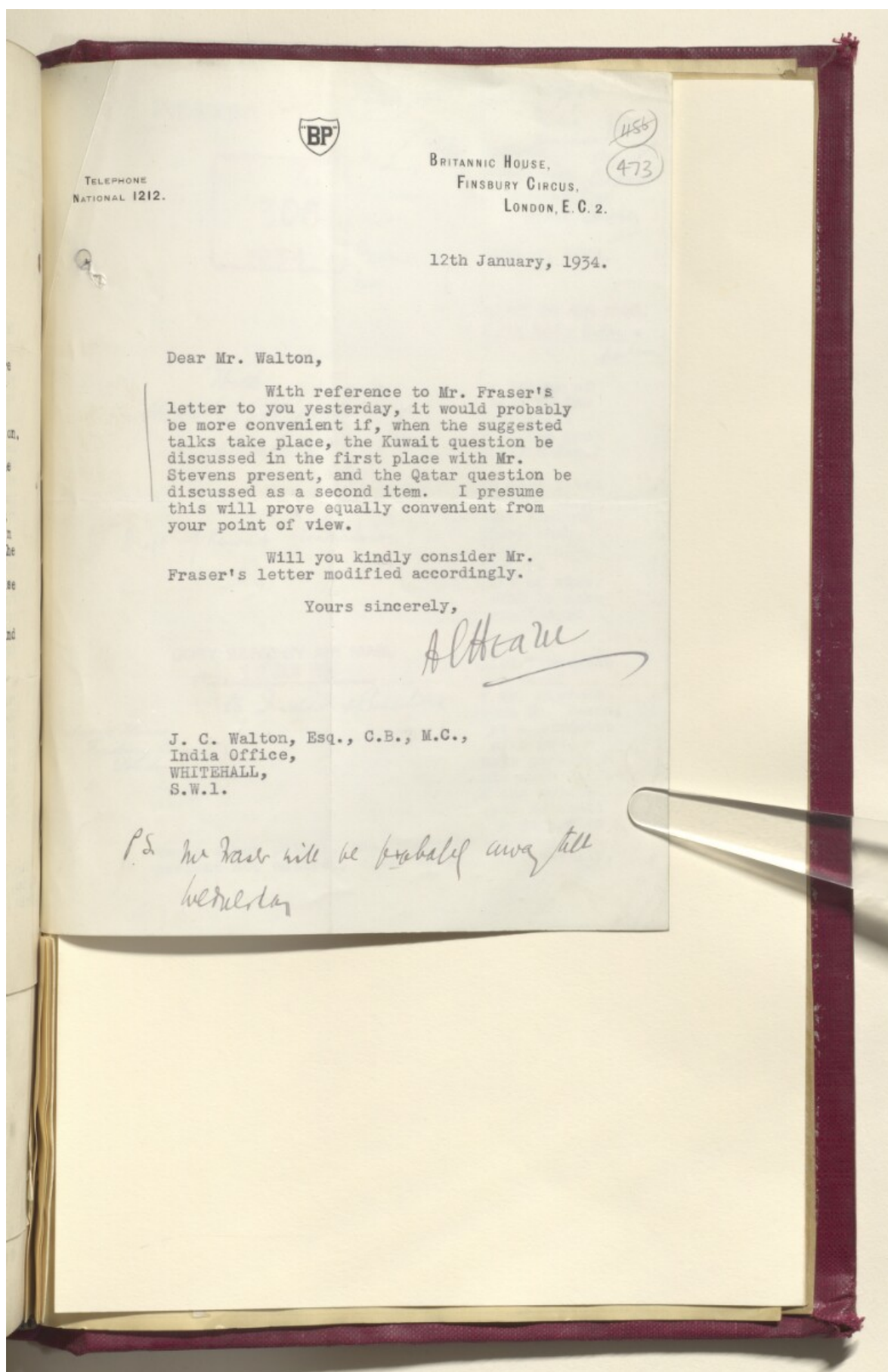
I notice that in the letter to Mr. Fraser where you set out the principal headings which would need to be covered in the agreement between the A.P.O.C. and H.M. Government, you do not refer to the question of the possible assignment of the concession. I am inclined to think that this point ought to be dealt with even supposing it is the intention of the Kuwait Oil Company not to sign the concession. We shall see when we receive the draft whether they provide for this. If they do not, I think we ought to ~~have~~ ^{insert} a clause dealing with this matter and I then suggest that we should need to have provisions in the agreement between the Company and H.M. Government similar to those which we are considering in the case of Qatar.

I am sending a copy of this letter to Rendel and Seal.

Yours sincerely,

Herbert

FCS/EA.



TELEPHONE
NATIONAL 1212.

BRITANNIC HOUSE,
FINSBURY CIRCUS,
LONDON, E. C. 2.

1456
473

12th January, 1934.

Dear Mr. Walton,

With reference to Mr. Fraser's letter to you yesterday, it would probably be more convenient if, when the suggested talks take place, the Kuwait question be discussed in the first place with Mr. Stevens present, and the Qatar question be discussed as a second item. I presume this will prove equally convenient from your point of view.

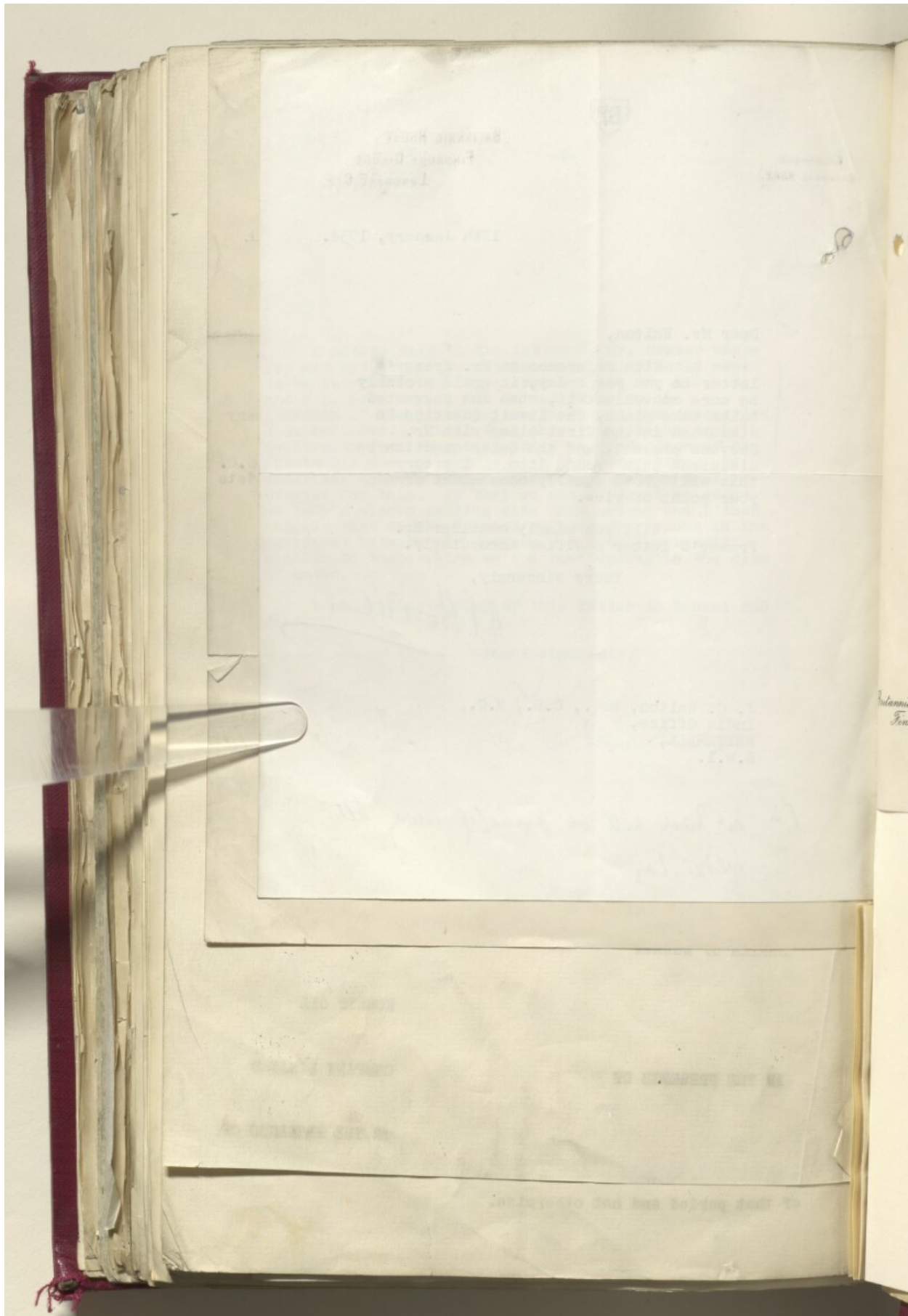
Will you kindly consider Mr. Fraser's letter modified accordingly.

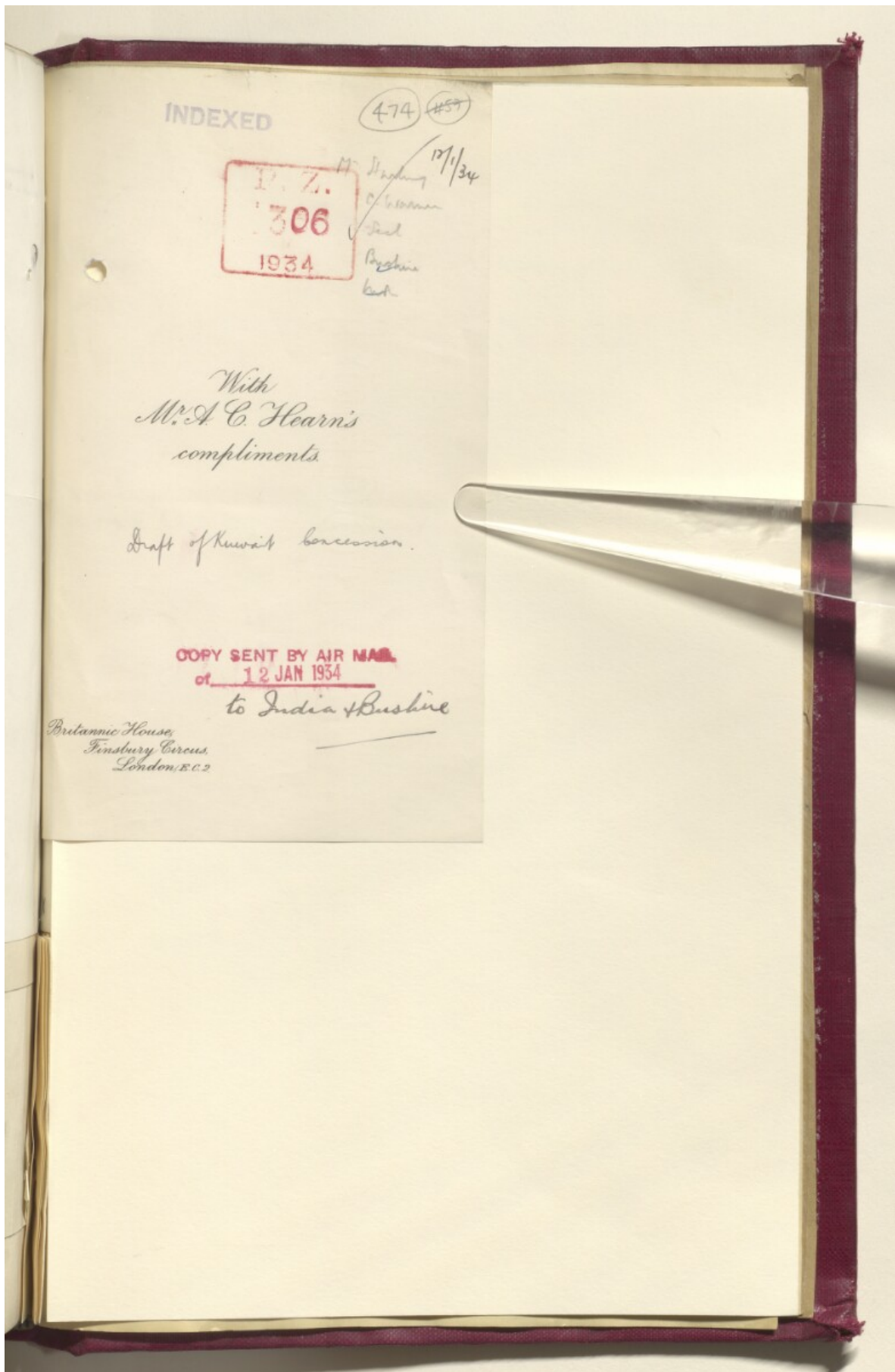
Yours sincerely,

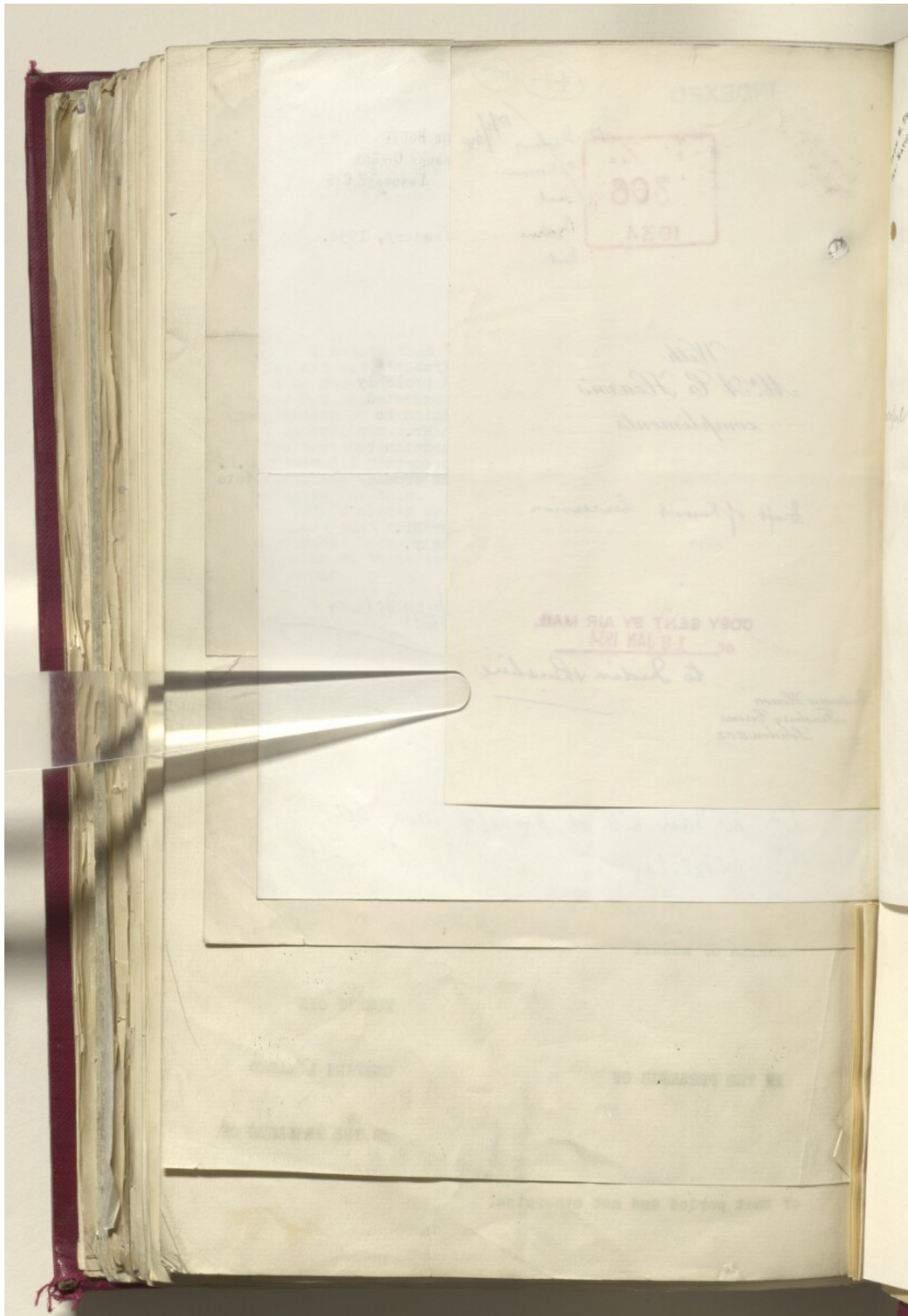
Althea

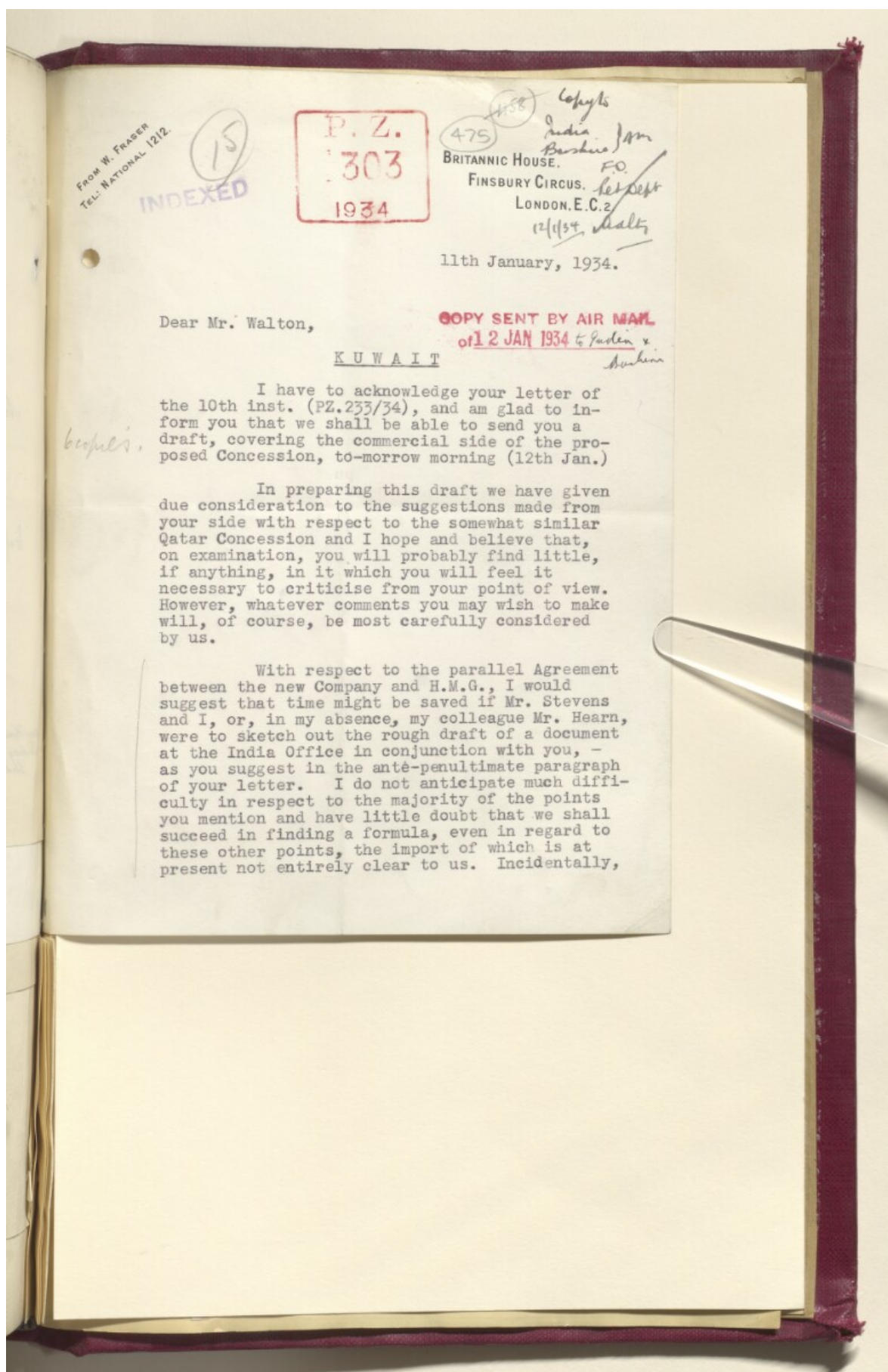
J. C. Walton, Esq., C.B., M.C.,
India Office,
WHITEHALL,
S.W.1.

*P.S. Mr Fraser will be probably away till
Wednesday*









FROM W. FRAGER
TEL: NATIONAL 1212

INDEXED

P. Z.
303
1934

475
BRITANNIC HOUSE,
FINSBURY CIRCUS, F.O.
LONDON, E.C.2.
12/1/34, Hally

11th January, 1934.

Dear Mr. Walton,

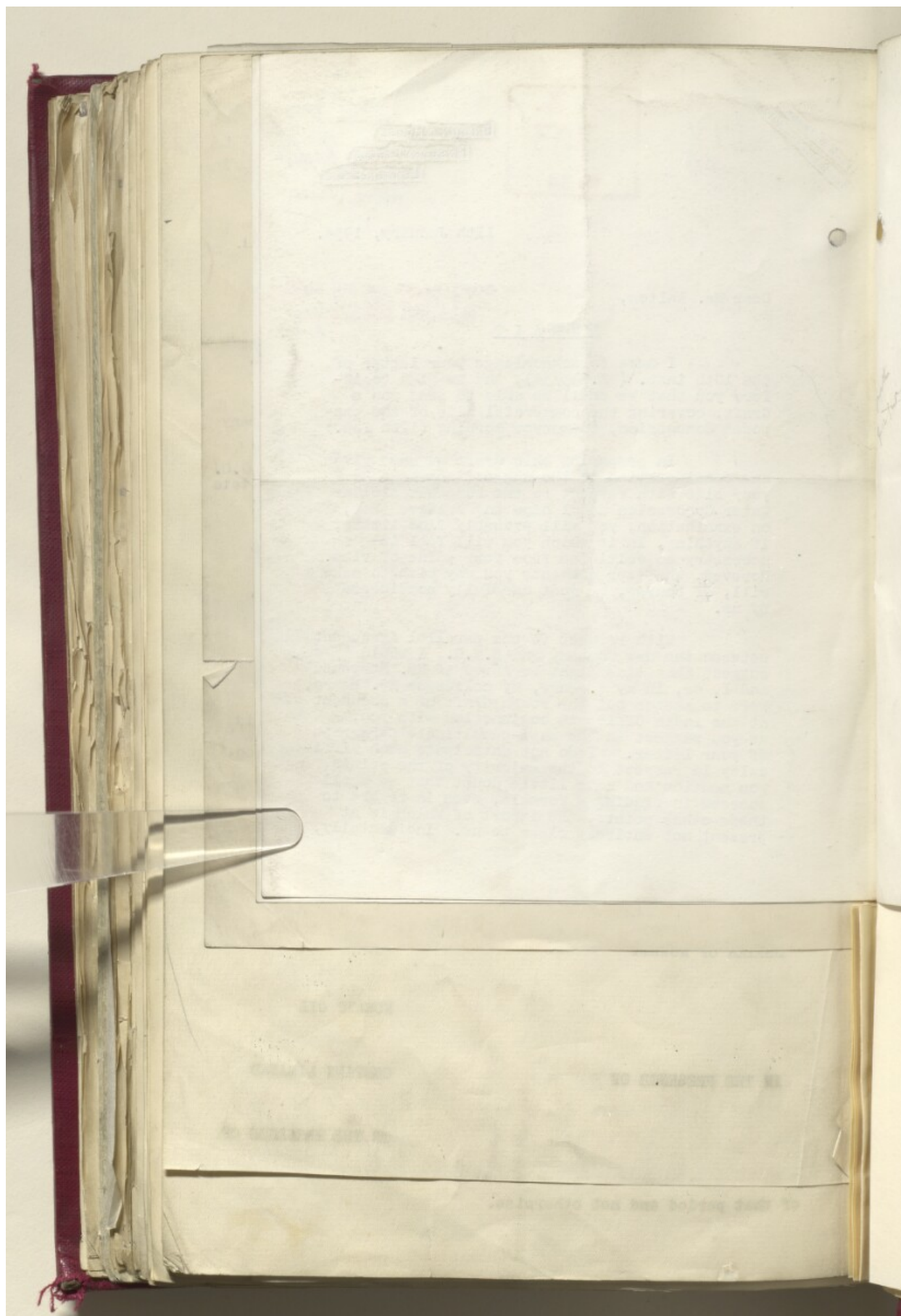
COPY SENT BY AIR MAIL
on 12 JAN 1934 to London & Bahrain

K U W A I T

begin's.
I have to acknowledge your letter of the 10th inst. (PZ.233/34), and am glad to inform you that we shall be able to send you a draft, covering the commercial side of the proposed Concession, to-morrow morning (12th Jan.)

In preparing this draft we have given due consideration to the suggestions made from your side with respect to the somewhat similar Qatar Concession and I hope and believe that, on examination, you will probably find little, if anything, in it which you will feel it necessary to criticise from your point of view. However, whatever comments you may wish to make will, of course, be most carefully considered by us.

With respect to the parallel Agreement between the new Company and H.M.G., I would suggest that time might be saved if Mr. Stevens and I, or, in my absence, my colleague Mr. Hearn, were to sketch out the rough draft of a document at the India Office in conjunction with you, - as you suggest in the ante-penultimate paragraph of your letter. I do not anticipate much difficulty in respect to the majority of the points you mention and have little doubt that we shall succeed in finding a formula, even in regard to these other points, the import of which is at present not entirely clear to us. Incidentally,





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the point regarding the nomination of the third arbitrator by the Political Resident has been incorporated in the Commercial Agreement, so that this will need no further discussion.

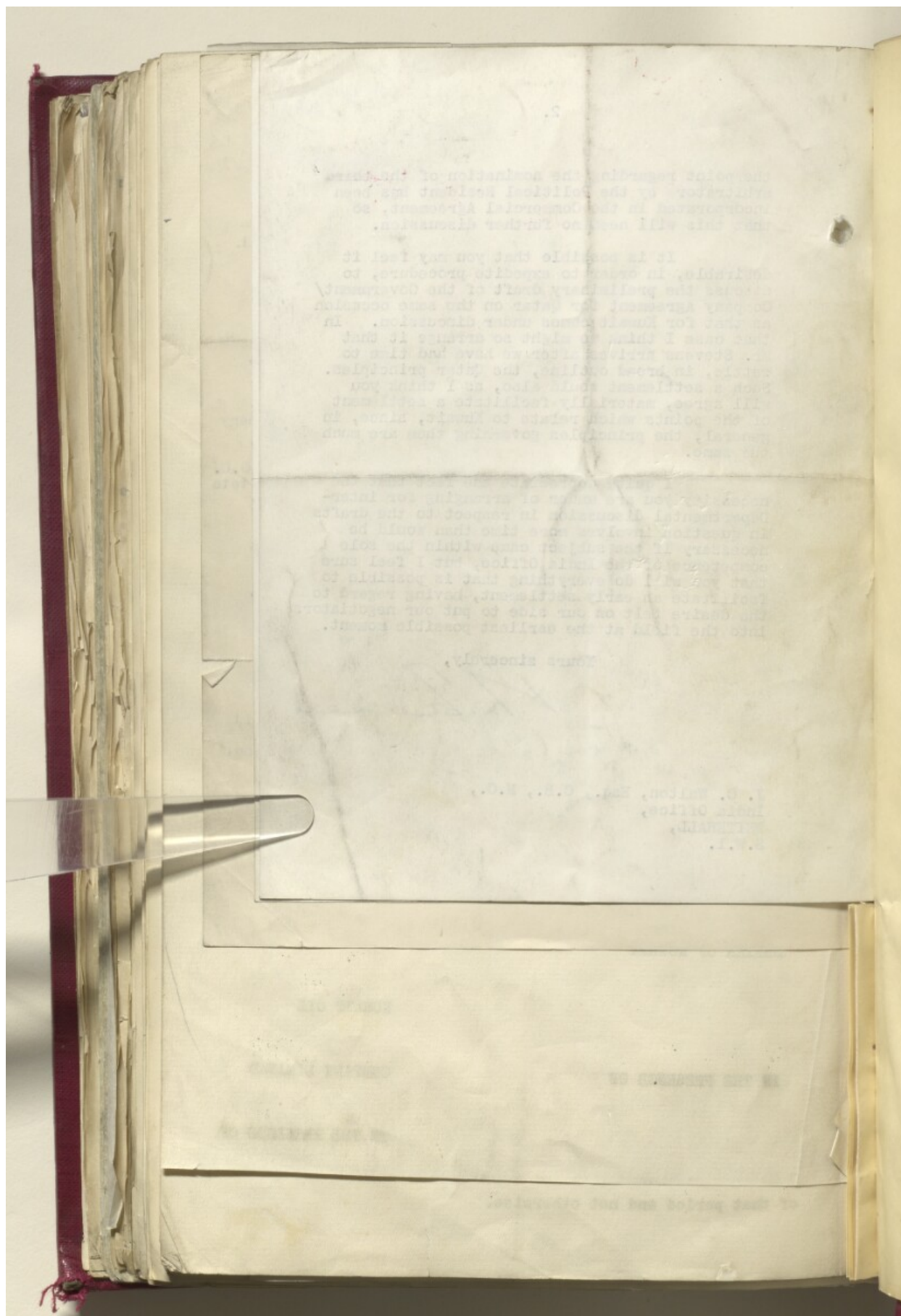
It is possible that you may feel it desirable, in order to expedite procedure, to discuss the preliminary draft of the Government/Company Agreement for Qatar on the same occasion as that for Kuwait comes under discussion. In that case I think we might so arrange it that Mr. Stevens arrives after we have had time to settle, in broad outline, the Qatar principles. Such a settlement would also, as I think you will agree, materially facilitate a settlement of the points which relate to Kuwait, since, in general, the principles governing them are much the same.

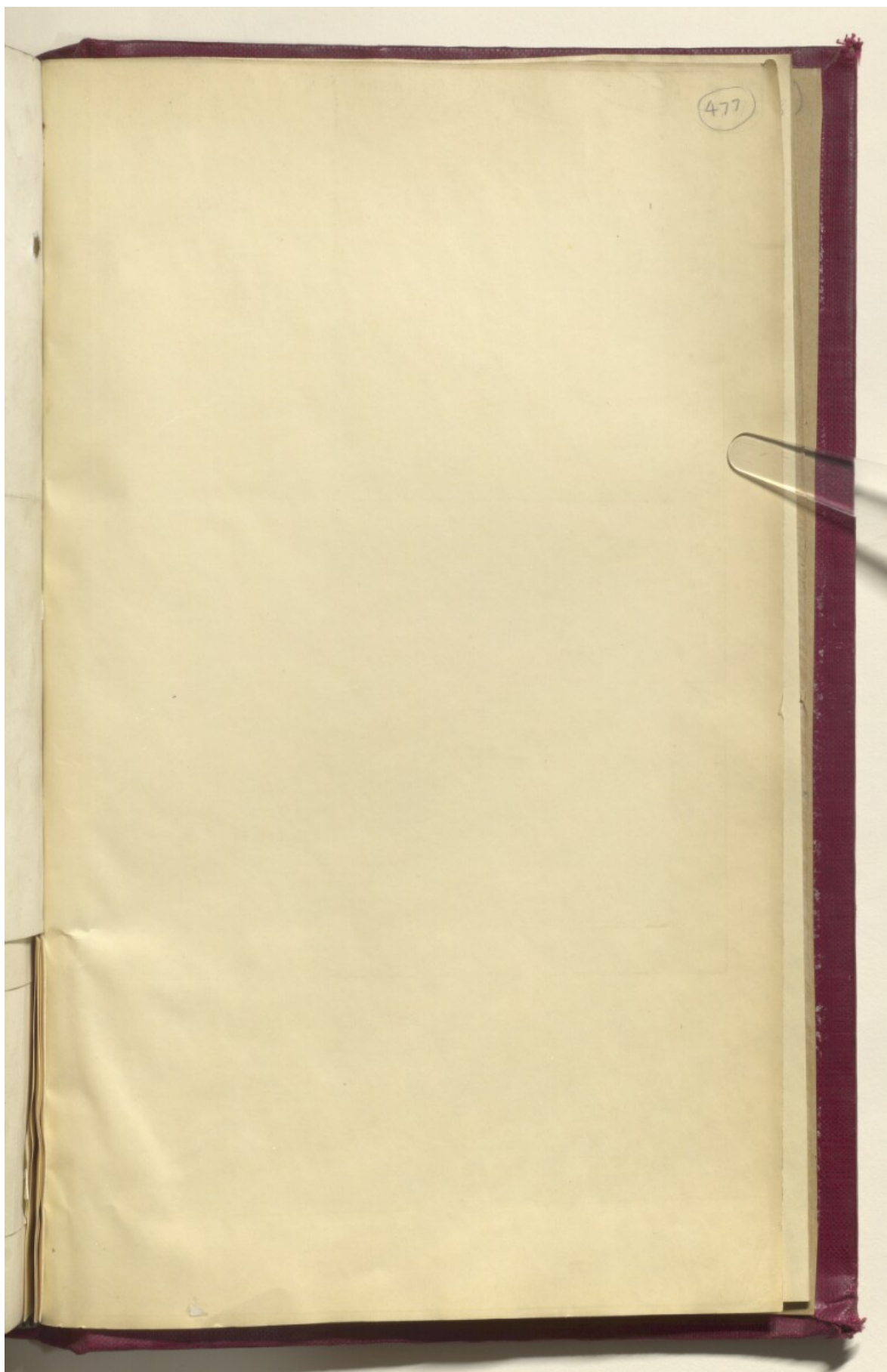
I quite appreciate the fact that the necessity you are under of arranging for inter-Departmental discussion in respect to the drafts in question involves more time than would be necessary if the subject came within the sole competence of the India Office, but I feel sure that you will do everything that is possible to facilitate an early settlement, having regard to the desire felt on our side to put our negotiators into the field at the earliest possible moment.

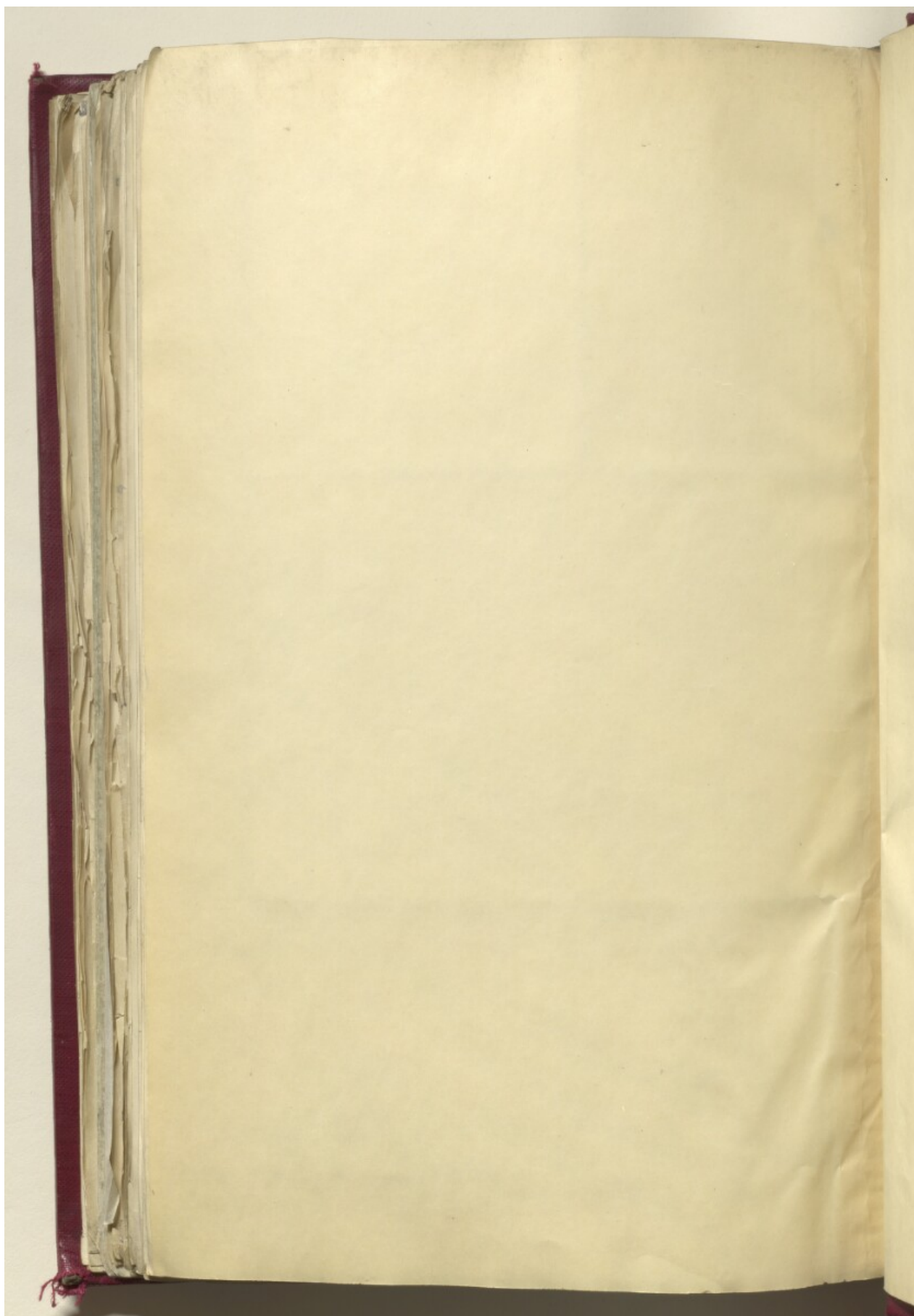
Yours sincerely,

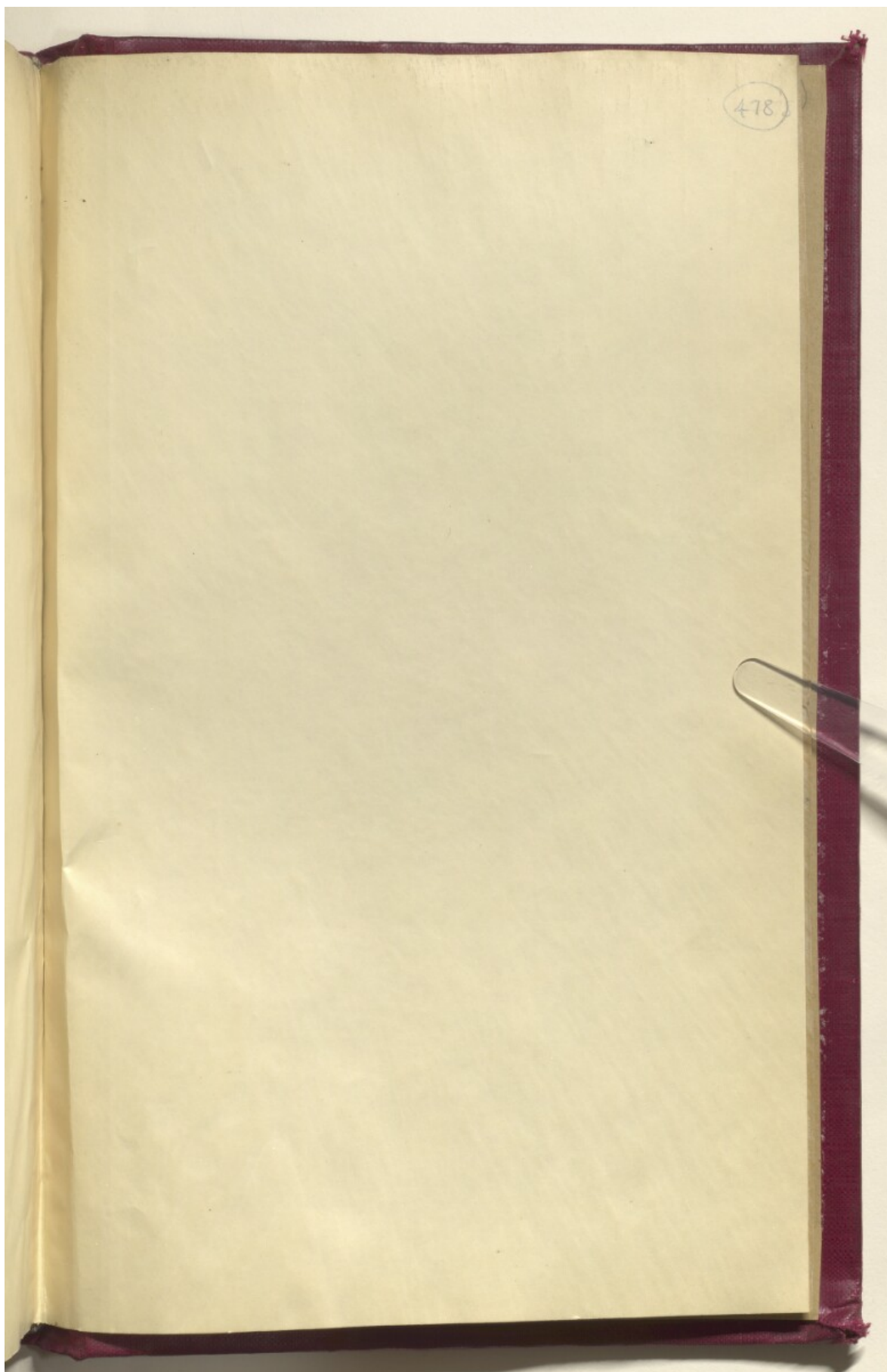
A. Z. Zaver

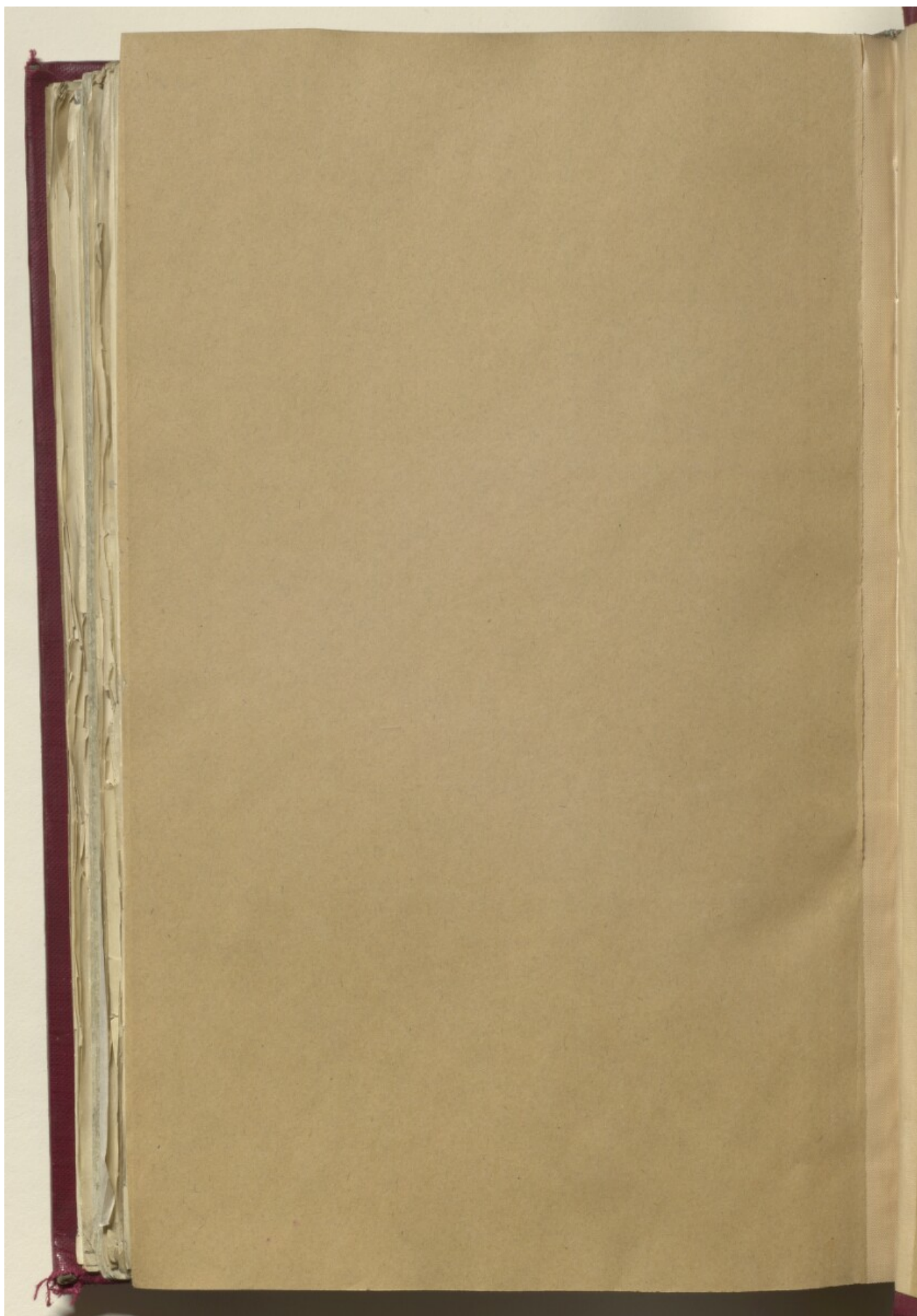
J. C. Walton, Esq., C.B., M.C.,
India Office,
WHITEHALL,
S.W.1.













(479)

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